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THE WALL STREET JOURNAL.

DOW JONES | News Corp. * * * * * **MONDAY, SEPTEMBER 11, 2017 ~ VOL. CCLXX NO. 60** **WSJ.com** ★★★★★ \$4.00

Last week: **DJIA** 21797.79 ▼ 189.77 0.9% **NASDAQ** 6360.19 ▼ 1.2% **STOXX 600** 375.51 ▼ 0.2% **10-YR. TREASURY** ▲ 29/32, yield 2.058% **OIL** \$47.48 ▲ \$0.19 **EURO** \$1.2037 **YEN** 107.84

What's News

Business & Finance

China is starting to unwind some measures aimed at bolstering the yuan after the currency's recent surge began taking a toll on exporters. A1

◆ **Cross-border deals** by Chinese firms are being hindered by regulatory hurdles and curbs on capital flight. **B1**

◆ **SoFi is ensnared** in a controversy over workplace culture and the treatment of women at Silicon Valley startups. **B1**

◆ **Apple's new iPhone** is expected to cost about \$1,000 as smartphone makers buck the trend toward lower consumer-electronics prices. **B1**

◆ **Equifax faced** continued criticism over its response to a data breach and complaints about a website set up to help consumers. **B2**

◆ **SES plans** to announce a deal for a new fleet of smaller, easily reprogrammable Boeing satellites. **B3**

◆ **Warner Bros.' "It"** broke several box-office records as the film opened to a massive \$117.2 million. **B6**

◆ **Fox News** and Eric Bolling are parting ways after the anchor was accused of sending inappropriate photos to female co-workers. **B6**

◆ **Reinsurance firms** will bear the financial brunt of Hurricane Irma's damage to homes across Florida. **B9**

Irma Pummels Florida's Coasts



A street lined with debris and fallen trees in Naples on Sunday as Hurricane Irma passed through on its way up Florida's west coast

Building Boom Puts Millions in Path

By LAURA KUSISTO AND NICOLE FRIEDMAN

Hurricane Irma's turn up the west coast of Florida imperiled a region that has undergone major development in recent decades, from wealthy enclaves such as Naples to middle-class subdivisions in Tampa Bay and nearby Pinellas County.

Like many cities in Florida, parts of Tampa are built on filled-in marshland. Many homes, apartment buildings

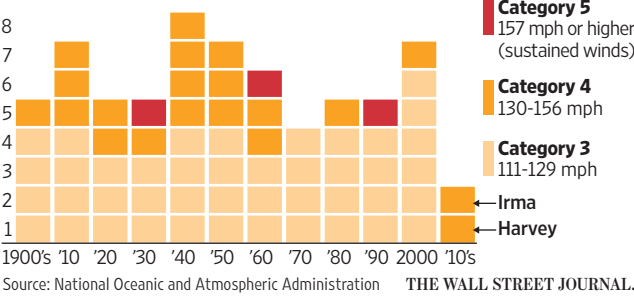
and even a major trauma center are close to sea level.

A 2015 report by catastrophe-modeling firm Karen Clark & Co. found that Tampa is the most vulnerable city in the U.S. to storm-surge flooding. The ranking was based on losses to residential, commercial and industrial property by a once-in-100-years hurricane. It estimated such a storm would cause \$175 billion of damage to Tampa.

The hurricanes that hit New

Windswept

Number of category 3 and above hurricanes making landfall in the continental U.S., by decade



Source: National Oceanic and Atmospheric Administration THE WALL STREET JOURNAL.

Hurricane moves north after pounding Keys, Naples; residents ready for storm surge

One of the most powerful hurricanes to cross the Atlantic struck Florida on Sunday, delivering torrential rains and winds of more than 100 miles an hour, and flooding streets with storm surges.

By Arian Campo-Flores, Joseph De Avila and Ian Lovett

Though Irma, which made landfall in the Florida Keys Sunday morning as a Category 4 storm, weakened to a Category 2 by late afternoon, the National Weather Service said the extreme storm conditions would continue through the night and through Monday for much of central and western Florida. State officials didn't yet know the extent of the damage on Sunday, with the storm still making its way north and many of the hardest-hit areas inaccessible.

As Hurricane Irma closed in on Naples, Fla., Zandra Mattia huddled inside of a closet with her husband, Peter. Ms. Mattia, 48 years old, who lives outside

Please see IRMA page A4

Hurricane Havoc

◆ Storm's shift to west set off scramble..... A4

◆ St. Martin struggles to contain chaos..... A6

◆ Reinsurers on hook for damages..... B9

◆ Go to WSJ.com for the latest updates

SEEKING: PART-TIME WORKERS IN BAD JOBS

In tight labor market, companies see the underemployed as big talent pool

By JENNIFER LEVITZ

RICHMOND, Va.—Pressed for workers, a New Jersey-based software company went hunting for a U.S. city with a surplus of talented employees stuck in dead-end jobs.

Brian Brown, chief operating officer at AvePoint, Inc., struck gold in Richmond. Despite the city's low unemployment rate, the company had no trouble filling 70 jobs there, some at 20% below what it paid in New Jersey. New hires, meanwhile, got more interesting work and healthy raises.

Irvine, Calif.-based mortgage lender Network Capital Funding Corp. opened an office in Miami to scoop up an attractive subset of college graduates—those who settled for tolerable jobs in exchange for living in a city they loved.

"They were not in real careers," said Tri Nguyen, Network Capital chief executive. He now plans a similar expansion in Philadelphia.

Americans have traditionally moved to find jobs. But with a growing reluctance by

Please see JOBS page A10

China Acts to Cool Resurgent Yuan

By LINGLING WEI

BEIJING—China is reversing a range of measures it had put in place to support its currency, a response to a recent surge in the value of the yuan that has hurt Chinese exporters and added to the country's economic headwinds.

Starting Monday, the People's Bank of China will scrap a two-year-old rule that made it more expensive for traders to bet the yuan will fall in value, according to a central

bank notice sent to commercial banks late Friday.

The move, which ends a deposit requirement on trades called currency forwards, will make it less expensive for companies and investors to buy dollars while selling the yuan. That would put some pressure on the currency to decline, traders and analysts said. The step will "fend off macro-financial risks," said

Please see YUAN page A8

◆ China buyers challenged abroad..... B1

Fear No Weevil: A Southern Town Isn't Bugged by Its Monument

* * *

Enterprise, Ala., pays homage to an agricultural pest; soap, radio, mugs

By BETH DECARBO

ENTERPRISE, Ala.—Tower-ing 13 feet over Main Street, a robed goddess holds aloft a menacing six-legged creature, a true monument to weevil.

With other landmarks in the Deep South under fire, the Boll Weevil Monument stands alone. "There's no other place that has a monu-

ment to a bug," says local merchant Jessica Goodson.

For almost a century, the city has embraced the boll weevil, once a hated villain that laid waste to cotton crops. At All About Art, co-

owned by Ms. Goodson and her mother, a clay tray featuring a boll weevil is a best seller.

Nearby, Shopaholic offers tea towels, boll weevil wine glasses and boll weevil coffee mugs, mostly purchased by tourists who come to see the monument. "Last year, 63% of my sales came from out of town,"

says Debbie Gaydos, the store's owner.

The boll weevil first appeared in the U.S. in 1892, according to a history by the Alabama Agriculture Experiment

Please see WEEVIL page A10

A Costco Brand Shakes Up Rivals

By SARAH NASSAUER

ISSAQUAH, Wash.—Costco Wholesale Corp.'s chocolate-dipped, slightly salty Kirkland Signature Nut Bars became a hit at its stores earlier this year.

Unfortunately for Kind LLC, that meant its own best-selling, chocolate-dipped, slightly salty

Kind Bars now faced cheaper competition on Costco's shelves.

Kirkland Signature, Costco's store brand, is increasingly challenging manufacturers hoping to earn or retain a coveted spot at the warehouse retailer. Since 1995, Costco has used its Kirkland products to attract shoppers, building a

reputation for quality and low prices on milk, toilet paper, men's shirts and golf balls bearing the unassuming red logo. Around a quarter of Costco's \$118.7 billion in annual sales come from Kirkland Signature products, and the percentage is growing, say company executives.

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U.S. NEWS

THE OUTLOOK | Ian Talley

Economic Sanctions’ Limited Reach

The Trump administration is turning to economic warfare—an intensified

sanctions program—to deal with an increasingly belligerent North Korean regime.

But economic tools have a mixed record of success addressing geopolitical problems.

Sanctions helped end apartheid in South Africa. They pushed Iran to an agreement to curtail its nuclear program, though many critics say the deal is insufficient. Yet in over 50 years they haven’t budged the Castro family from its hold on power in Cuba and failed to turn Russia back from its Ukraine incursions.

Much depends on how forcefully Washington applies its economic weapons and how much cooperation it gets from other nations.

Alarmed by Pyongyang’s latest nuclear test and preparations for another intercontinental ballistic missile launch, the Trump administration is crafting harsher economic penalties against North Korea and its facilitators. Washington hopes tougher measures would avert a potentially catastrophic military conflict and forestall the evolution of Pyongyang’s nuclear-weapons technology.

U.S. officials are pushing the United Nations Security Council to ban North Korea textile exports, embargo oil sales to the country and prohibit it from renting out its workers abroad. Treasury



China’s Liu Jieyi spoke to the U.S.’s Nikki Haley about North Korea last week at the United Nations.

Secretary Steven Mnuchin is readying new sanctions likely targeting the largest importers of North Korean goods and some of the banks facilitating that trade.

Past U.S. sanctions efforts have a spotty record.

Among the successes: U.S. lawmakers championed sanctions in 1986 against South Africa’s apartheid regime that eventually led to a global trade embargo. By 1991, the government repealed its apartheid laws.

A U.S. sanctions regime against Myanmar’s antidemocratic government was a key factor in precipitating a collapse in that country’s

economic growth. By 2012, as democracy slowly returned, the U.S. began easing those measures.

The Bush administration in 2007 was able to force North Korea to shut down a nuclear facility by cutting off a small Macao-based bank from the U.S. financial system. But the regime soon secretly restarted its nuclear-weapons program. China has since stepped in to become its biggest trade partner, and Pyongyang has improved its sanction-evasion techniques.

“Targeted sanctions—unintentionally and counterintuitively—helped to create more efficient markets in China for North Korea Incorporated,” said John Park, di-

rector of the Korea Working Group at the Harvard Kennedy School.

The Trump administration is hoping to replicate with North Korea the sanctions approach that forced Iran to negotiate a nuclear deal under the Obama administration. In that case, the U.S. secured European allies’ support to stem oil revenue to the Persian economy.

But foreign government compliance with U.N. sanctions against North Korea is poor. China, in particular, is proving a reluctant partner.

U.S. sanction experts say a severe escalation in economic pressure that threatens Kim Jong Un’s hold on power is needed to change his calculus.

“It would mean placing a stranglehold on the North Korean economy that makes it impossible for the leader to pay his military and security forces, to fuel his planes and trucks, or to provide bribes to his family and cronies,” said Adam Szubin, the former head of Treasury’s sanctions office.

Asia analysts say China often fails to crack down on firms and individuals that help finance the Kim regime.

“One way the Trump administration can get the Chinese into the game here in a more effective fashion is by looking at more sanctions on Chinese entities, especially certain smaller banks and trading companies, that are critical to the North Korean economy,” said David Cohen, a former top Central Intelligence Agency and Treasury official.

Studies by C4ADS, a nonprofit that tracks global security threats, show Pyongyang’s evasion networks are financed by a centralized and limited system. Capitalizing on that premise, U.S. lawmakers are backing legislation that would target the 10 largest Chinese importers of North Korean goods.

The Treasury is also setting its sights on Chinese banks. But applying hefty fines would likely require the administration to develop a more coordinated strategy through the Justice Department, some analysts say.

◆ Malaysia’s leader to visit White House..... A9

California Spars Over Housing Fix

By IAN LOVETT

LOS ANGELES—Lawmakers in California are battling over a series of bills designed to ease the state’s worsening housing shortage, which is driving up prices and pushing low- and middle-income residents out of cities from Oakland to Los Angeles.

Democrats, who control all branches of government in California, are hoping to bring the package of bills to a vote this week, the final week of this year’s session. The legislation would ease regulation and allow for a \$4 billion bond issue to pay for low-income housing development and home loans for veterans.

The sticking point, accord-

ing to multiple officials in Sacramento, is another part of the package that would add a \$75 fee onto some real-estate transactions to create a permanent source of funding for low-income housing. Republicans have said the fee amounts to a tax increase that would do little to ease the housing shortage. Some Democrats have also balked.

While Democrats hold two-thirds majorities in both houses of the legislature, they haven’t yet locked up enough votes to pass the housing package. Lawmakers in the party are spending the final days of the session trying to convince holdouts to support the bill establishing the \$75 fee, put forth by Toni Atkins, a

state senator from San Diego.

“Homelessness is an epidemic, and too many people who have homes are spending far too much of their income on rent or the mortgage,” Ms. Atkins said. “The legislature has a duty to act right now.”

Some Republicans have supported the bill to ease regulation and the bond measure, which would first have to be approved by voters in a referendum. But Republicans have lined up against the fee, which they said would do little to fix the lack of housing.

“Housing is one of the top three things that people are concerned about,” said Rocky Chávez, a GOP assemblyman representing San Diego County

who opposes all three of the housing measures.

The \$75 fee requires two-thirds approval, and if lawmakers don’t approve it this year, it would face more difficult prospects next year, when members are up for re-election. Mr. Chávez said he hoped the legislature would try for a more bipartisan solution.

Scott Wiener, a Democratic state senator from San Francisco who wrote one of the bills in the housing package, acknowledged that the bills wouldn’t solve the state’s housing problems. But the legislature, he said, had to act.

“This package is a healthy down-payment, as part of a long-term solution,” Mr. Wiener said.



Sen. John McCain, shown in July, is undergoing treatment for cancer.

McCain: Grateful For Time He Has

By BECKY BOWERS

Sen. John McCain (R., Ariz.), who returned to the Senate last week after treatment for an aggressive form of brain cancer, said Sunday his prognosis is good but “the challenges are very significant.”

“This is a very vicious form of cancer that I’m facing. All the results so far are excellent. Everything is fine,” he told Jake Tapper on CNN.

The senator had surgery to remove a blood clot above his left eye in July following a physical at the Mayo Clinic Hospital in Phoenix. Subsequent tests revealed it was associated with a type of brain cancer known as a glioblastoma. He has since had chemotherapy and radiation and is scheduled to have an MRI on Monday.

“So far, all indications are very good,” he said. “But, again, I’m not trying to paint this as a rosy picture. This is a very virulent form of cancer. It has to be fought against.”

Mr. McCain thanked the Mayo Clinic and National In-

stitutes of Health, saying he was receiving “the best treatment that anybody could get.”

“And I’m very happy. I’m very happy with my life. I’m very happy with what I have been able to do,” he said. “And there’s two ways of looking at these things and one of them is to celebrate. I am able to celebrate a wonderful life and I will be grateful for additional time that I have.

“Every life has to end one way or another....So you’ve got to have joy.”

U.S. WATCH

TEXAS

Arrest Made in Case Of Missing Woman

The body of a Texas woman has been found more than two weeks after she disappeared ahead of Hurricane Harvey’s landfall. Authorities Saturday charged her ex-husband with murder.

Chambers County Sheriff Brian Hawthorne said 37-year-old Crystal McDowell vanished Aug. 25, the day Harvey made landfall, after telling her boyfriend she was headed to her ex-husband’s house to pick up her children. She was reported missing the following day.

Floodwaters hampered the search, but authorities traced her cellphone to a Baytown marsh, where her body was found Saturday.

—Associated Press

WISCONSIN

Jury Set to Weigh Teen’s Mental Health

A Wisconsin jury this week will begin weighing whether a girl accused in the stabbing of a classmate to please the fictional horror character Slender Man was mentally ill at the time.

Prosecutors say Anissa Weier and a friend lured Payton Leutner into a Waukesha park and stabbed her 19 times in 2014. All three girls were 12 at the time. Ms. Weier pleaded guilty to attempted second-degree homicide but says she isn’t responsible due to a mental disease or defect.

—Associated Press

In Reno, Balloons Light Up the Night



UP, UP AND AWAY: Balloons launched during the predawn hours Sunday in Reno, Nev., during the Great Reno Balloon Race, which bills itself as the world’s largest free hot-air ballooning event.

CORRECTIONS & AMPLIFICATIONS

The name of the Caribbean island of Barbuda was misspelled as Barbudo in some editions Saturday in a Page One article about the storm surge risk posed by Hurricane Irma.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

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U.S. NEWS

High Schools Become More International

By Tawnell D. Hobbs

International students have been changing the economics and culture of U.S. college campuses. Now they are making inroads at American high schools.

The number of international students at U.S. high schools more than doubled from 2004 to 2016, to reach 81,981 students, according to a recent federally funded study by the Institute of International Education, a nonprofit focused on education across borders.

Most of these students ultimately seek to enroll in U.S. universities, with their high-school diplomas acting as a bridge to college, the study found.

Newcomb Central School District, an 85-student public-school system in rural upstate New York, has 11 international students this year, from Russia, Spain and Vietnam, said Clark “Skip” Hults, the superintendent.

“We have a very homogeneous community, and our kids were unprepared to go out into this globalized world of college,” Mr. Hults said. “We felt that having the world join us in our classroom would also make for better studies.”

In 2016, about 4% of the international students attended

U.S. public high schools on F-1 visas, according to the Institute of International Education. Unlike for private schools, those visas extend a maximum of 12 months for public schools, and federal law requires that international students attending U.S. public high schools under such visas pay full tuition, normally ranging between \$3,000 and \$10,000, according to the State Department. Private schools set their own rates.

“There’s a financial contribution when they’re paying into public schools,” said Rajika Bhandari, head of research, policy and practice at the institute. “For most of these students, the goal is to graduate with a high-school diploma. They’re really looking at seeing themselves as being more competitive to get into a U.S. university.”

In turn, international students increasingly fill enrollment slots at U.S. colleges, which has made getting into some schools harder for American kids and boosted schools’ revenue, because international students typically don’t get a discount on tuition.

Besides the more widely used, longer-term F-1 visas, other students use the J-1 visa, mainly for shorter-term cultural-exchange programs.



Kyle Tang, 17, a Chinese student at the International Leadership of Texas charter school near Dallas, in his dorm room last month.

Students from China make up about 42% of international students studying in U.S. high schools, the study says. Other top-sending countries of diploma-seeking students include South Korea, Vietnam, Mexico, Japan and Canada.

Visa applications are being accepted for students in six Muslim-majority countries affected by the Trump administration’s partially implemented travel ban, according to the State Department. The ban targets Iran, Libya, Somalia, Sudan, Syria and Yemen. In 2016, 87 visas were provided to high-school students from those countries.

All 50 states and Washing-

ton, D.C., have international students in high schools. The number of U.S. high schools enrolling international students totaled 2,800 in 2016, up from 2,300 in 2013, according to the study.

The trend comes even as some American families have found the U.S. education system lacking, and point to academic progress in Asian countries. China, for instance, has outperformed the U.S. in international exams in science and math.

In Michigan, Oxford Community Schools has educated hundreds of international students over the years, mostly from China, officials there

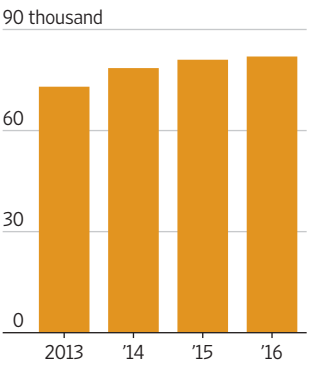
said. Chunchun Tang, Oxford’s director of international programs, said the American and international students learn each other’s culture, preparing them for the modern workplace.

Ms. Tang said the international students also provide an alternative revenue stream but that the students’ education is the priority. The Oxford district also employs a team dedicated to international students, a rare move in public-school districts, especially small ones like Oxford, which has about 6,000 students.

“That just speaks to our school district’s dedication,” Ms. Tang said.

Studying Up

International students enrolled in U.S. high schools



Congress Will Test Trump’s Bipartisanship

By Eli Stokols

As Congress returns to work this week, absent some members whose states were hit by Hurricane Irma, a leading question is whether last week’s burst of bipartisanship will prove to be durable.

President Donald Trump, who made a deal with Democrats on disaster relief and the debt limit, returned Sunday to the White House after monitoring Hurricane Irma from Camp David. He told reporters he planned to head to Florida “very soon” to assess the storm’s damage.

House lawmakers canceled Monday votes to accommodate colleagues affected by the storm.

When Congress picks up its agenda again, Senate Armed Services Committee Chairman John McCain (R., Ariz.), who is managing the National Defense Authorization Act, aims to approve \$640 billion in military spending. That would break the \$549 billion spending cap for fiscal 2018 imposed by a 2011 law, and be in addition to \$60 billion in authorized spending that doesn’t count toward the caps.

Republicans hold 52 seats in the Senate, and 60 votes are needed to advance the bill. Mr. Trump campaigned on a more robust military budget but has largely stayed on the sidelines of the congressional battle.

The stage could be set for fights over the response to North Korea’s nuclear pro-



President Donald Trump and first lady Melania Trump returned to the White House on Sunday.

gram, the military strategy in Afghanistan and a possible new round of military-base closures. All those issues could be covered in amendments to the defense bill.

In an interview Sunday on CNN, Mr. McCain blasted the president’s debt-limit deal last week with Democrats, which he said was “devastating to national defense” in that it freezes last year’s funding levels in place.

One of the several hundred amendments to defense authorization bill that could reach the Senate floor this week, ac-

cording to a GOP Senate aide, is a measure from Sen. Tom Cotton (R., Ark.) to remove the automatic spending curbs, known as the sequester, that took effect in 2013 and affect both military and nonmilitary spending.

On the House side, lawmakers aim to finish work on an appropriations bill that will be the basis for negotiations for funding the government beyond Dec. 8, when the three-month agreement that Mr. Trump reached with Democrats expires.

That bill could be a vehicle

to advance legislation to protect “Dreamers,” the younger undocumented immigrants brought to the U.S. illegally by their parents.

The president was pleased with the media coverage of his reach across the aisle, administration officials said, when he negotiated a relief package for Hurricane Harvey and Hurricane Irma that was tied to a three-month increase to the federal debt ceiling.

The president’s decision to accept the proposal brought to him by Senate Minority Leader Chuck Schumer (D, N.Y.) and

House Minority Leader Nancy Pelosi (D., Calif.) grew largely out of frustration with GOP leaders, who have yet to significantly advance his priorities and lawmakers who, in some cases, had criticized him harshly, White House officials said.

But Mr. Trump is under no illusion they are his allies and he recognizes they would undercut him given the chance, White House aides said.

Democrats are looking to use the new rapport to press their leverage on big-ticket items that require 60 Senate votes. “If it’s depending on Democratic votes, it increases our leverage,” Mrs. Pelosi said last week. “It gives us a possibility for passing the Dream Act on that bill.”

The fates of some 690,000 undocumented immigrants are now up in the air following the administration’s decision last week to rescind President Barack Obama’s Deferred Action for Childhood Arrivals program, which has spared them from the threat of deportation, in six months.

Congress also faces reauthorizing a children’s health-insurance program.

Some lawmakers are also pressing to take steps to shore up the Affordable Care Act’s insurance market for individuals, though such a move could face resistance from conservatives and Mr. Trump.

—*Siobhan Hughes, Kristina Peterson and Peter Nicholas contributed to this article.*

Clinton, on Book Tour, Revisits 2016 Loss

By Eli Stokols

Hillary Clinton on Sunday described the lingering pain of being “gobsmacked” after losing the presidency 10 months ago to Donald Trump and said she wouldn’t be a candidate for office ever again.

“I think I am good, but that doesn’t mean that I am complacent or resolved about what happened,” the 2016 Democratic presidential nominee said in an interview Sunday morning with CBS News’s Jane Pauley. “It is still very painful. It hurts a lot.”

Mrs. Clinton’s Sunday interview marks the beginning of a monthslong media tour around her memoir of the campaign, “What Happened,” set to be released by Simon & Schuster on Tuesday.

On Sunday, Clinton ascribed her defeat to “a perfect storm” of white voters’ “grievances,” broader misogyny among the electorate, self-inflicted wounds including her use of a private email server and the decision by former Federal Bureau of Investigation Director James Comey to publicly announce his reviving of the investigation into her emails 11 days before the election.

“It raised the specter that, somehow, the investigation was being reopened,” Mrs. Clinton said, noting that Mr. Comey, whom Mr. Trump fired earlier this year, didn’t speak publicly about the investigation into Russia’s alleged election meddling on her opponent’s behalf.

The White House didn’t immediately respond to a request for comment. In May, Mr. Trump wrote on Twitter, after Mrs. Clinton spoke about her loss at an event in California: “Crooked Hillary Clinton now blames everybody but herself, refuses to say she was a terrible candidate.”

Despite the Comey announcement, Mrs. Clinton said she had no thought she might lose.

The former first lady, senator and secretary of state told Mrs. Pauley about calling President Barack Obama after making her Election Night concession call to Mr. Trump—“I felt like I had let everybody down,” she said—and attending Mr. Trump’s inauguration months later, which she described as “an out-of-body experience.”

Spending Bill Includes Campaign-Finance Riders

By Czary Podkul

WASHINGTON—House Republicans are backing several provisions that could reshape campaign-finance rules ahead of next year’s midterm elections.

The measures are included in a GOP package of spending bills being debated in the House. While the House package is unlikely to advance in the Senate, its provisions could become bargaining chips in the negotiations leading up to the next government-funding deadline, now Dec. 8.

Under one regulatory measure in the spending package, churches may be able to contribute to candidates without fear of losing their tax-exempt status, furthering President Donald Trump’s promise to “get rid of and totally destroy” a law that forbids such activity.

Corporations also would be

able to ask their employees to donate to unlimited numbers of trade associations’ political-action groups instead of limiting employee solicitations to one group per year.

Other measures included in the bill would continue to prevent the Internal Revenue Service and the Securities and Exchange Commission from implementing rules that would affect political activities of 501(C)(4) nonprofits and publicly traded corporations, respectively.

And the government would still be prohibited from requiring federal contractors to disclose their political contributions and campaign expenditures.

The multiple provisions—called riders—are prompting pushback from campaign-finance watchdogs, who generally favor tighter restrictions on money in politics. The provisions have been sought by

religious or business groups, who have argued they are otherwise hamstrung from fully participating in the political process.

It is unclear which House members inserted the language into the bill. House

House Democrats tried to strike many of the provisions but didn’t succeed.

Democrats tried to strike many of the provisions but didn’t succeed. The House is expected to debate and possibly vote on a package of spending bills that includes the riders as early as this week.

“It’s as many riders as has been done in this area. Probably the most,” said Fred

Wertheimer, president of the group Democracy 21 and an architect of the 2002 McCain-Feingold campaign-finance overhaul bill. His concern, he said, is that the riders would enable “secret money” to “flow into elections.”

On Thursday, Democracy 21 and about 20 other organizations sent a letter to House members asking them to oppose the riders.

The religious rider would allow churches to skirt the so-called Johnson Amendment. Named after its primary sponsor when he was senator, the late Lyndon Johnson, the 1954 rule prohibits 501(C)(3) nonprofit organizations—such as churches—from endorsing or opposing political candidates. While the IRS has rarely enforced the ban, the rider could give violators a free pass.

The Family Research Council, a conservative Christian group, is lobbying to repeal

the Johnson Amendment and has worked with House Majority Whip Steve Scalise (R., La.) to introduce a bill that would do so, according to its website.

A spokesman for Mr. Scalise, who was shot at a congressional baseball practice in June and has been in rehabilitation ever since, said his bill would prevent “unelected IRS bureaucrats from stifling the free speech of religious leaders and others under the auspices of the Johnson Amendment.”

The rider on the rule over disclosure of political spending by corporations wouldn’t allow the SEC to “study, develop, propose, finalize, issue, or implement” the rule-making during the government’s next fiscal year.

Business groups including the U.S. Chamber of Commerce have opposed greater disclosure of political activity.

—*Kristina Peterson contributed to this article.*

HURRICANE HAVOC



A flooded street in downtown Miami as Hurricane Irma arrived Sunday. President Donald Trump approved a major disaster declaration for Florida on Sunday afternoon.

IRMA

Continued from Page One
of the mandatory evacuation zone and about 15 miles from the Gulf of Mexico, was terrified of Irma's power.

"Everything is moving. Everything is breaking....The sounds are horrible," said Ms. Mattia, who worried her hair salon in downtown Naples would be destroyed by the storm surge.

It was the second Category 4 hurricane of the season to hit the U.S., after Hurricane Harvey hit the Texas coast last month, flooding Houston and causing at least 50 deaths. Lixion Avila, senior specialist with the National Hurricane Center, said it is extremely rare to have two Category 4 storms hit in one season.

Days before, Irma barreled into the Caribbean, killing at least 22 people and battering islands with winds in excess of 150 miles an hour.

Florida officials had been preparing for the worst hurricane damage since Andrew killed 61 in the U.S. in 1992 and caused nearly \$48 billion in economic damage in 2017 dollars, according to the National Oceanic and Atmospheric Administration—the costliest storm in U.S. history until Hurricane Katrina in 2005.

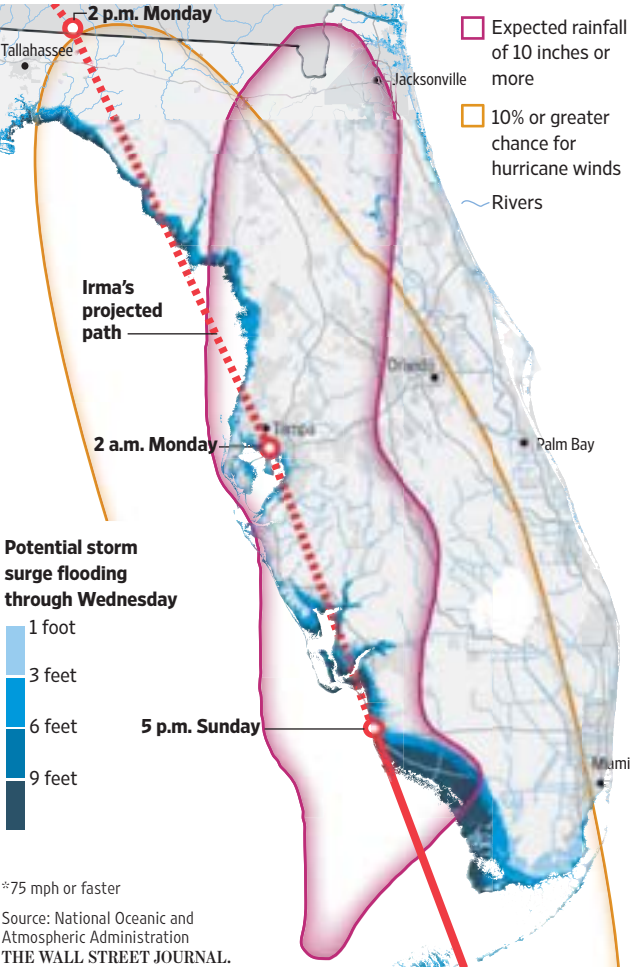
In Miami, at least two construction cranes collapsed, and the roof peeled off a two-story building. Storm surges flooded streets in the city's downtown. Tornadoes were also reported near Fort Lauderdale.

Multiple cities, including Miami and Tampa, put overnight curfews into effect.

The Florida Keys, in Monroe County, were hit with up to 12 inches of rain, and a 10-foot storm surge, according to the National Weather Service. The

Triple Threat

Irma's pass over Florida is expected to generate storm surges along the state's west coast and dump more than 10 inches of rain in some parts, causing significant flooding. Additionally, the potential for hurricane-force winds remained as of Sunday evening.



county's only highway—U.S. Route 1—was flooded. Communication to the area was spotty, and friends and family members posted frantic messages on Facebook, saying they hadn't been able to reach their loved ones since midmorning. "Monroe needs a lot of support," Florida Gov. Rick Scott said.

By late Sunday evening, close to five million electricity

customers in Florida had lost power, according to the state's utilities.

President Donald Trump approved a major disaster declaration for Florida, a state of 20.6 million people, on Sunday afternoon. He said the federal response to the storm, which he described as "some big monster," was going well and said he planned to head to Florida to assess the hurri-

cane's damage "very soon."

Around the state, more than 6.5 million people were ordered to evacuate and the state reported 77,000 people were seeking refuge in 450 shelters. In the days leading up to Irma's arrival, evacuees streamed out of Florida creating traffic jams along the highways and a dearth of accommodations up through Georgia. State officials said the storm's protracted path could complicate rescue efforts. Many of the emergency supplies are kept in the north, as far away as Alabama, and may not be available to those in need for days.

The call to evacuate came later for communities in the state's west than it had along the eastern shore where Irma was first forecast to land. Many decided to see out the storm at home, though officials on Florida's Gulf Coast said they didn't know when they would be able to assess the damage and help those in need.

Allison Wallrapp, 29, said her family would have evacuated from Tampa had they known the storm would take a westward turn toward the Gulf Coast. On Friday, she briefly considered driving north, but after hearing stories about gas shortages, overbooked hotels and clogged traffic, she decided to stay put. Her family moved sentimental belongings into the interior rooms of their home, which is located near the coastline, and were hunkering down in a condo owned by her fiancé's parents.

The Tampa native said she has witnessed many hurricane warnings over the years, but her hometown was always spared. "I've never been this worried," she said.

When mandatory evacuations were ordered Saturday morning, Lory Taraborelli-El-

liott, from Bonita Springs, Fla., sprang into action to find shelter for her 74-year-old father who has bladder cancer.

Ms. Taraborelli-Elliott along with her husband and parents fled their home located about 6 miles from the Gulf of Mexico three hours after the evacuation call came in and went to Germain Arena, a designated shelter in Estero, Fla. The place was teeming with evacuees and people fainted in the heat as they waited to get in, she said.

"Because my father is oxygen dependent and has bladder cancer that he's battling, that wasn't an option for him to sit outside for hours," Ms. Taraborelli-Elliott, 51, said.

Instead, they went to a friend's house in Naples, but the power went out Sunday afternoon, leaving her father with only a few hours of oxygen. "Eventually I'll have to call 911 and do the best we can," she said.

Budge Huskey, who waited out Irma's wrath at a friend's townhouse in Naples, worried more about what would come after: a huge storm surge that could demolish properties along a deep stretch of the coast—including the home he and his wife moved into only a week ago on Barefoot Beach.

The wind howled as gusts whipped through. As he spoke, his cellphone emitted an emergency alert that the center of the storm was approaching.

"We're in the thick of it right now," Mr. Huskey said.

He said the couple initially intended to remain in the house. But when forecasters predicted a storm surge of 10 to 15 feet, they decided to bail. "The storm surge could go literally miles," he said. "We really don't know what we're going to be going home to."

—*Khadeeja Safdar and Valerie Bauerlein contributed to this article.*

Storm's Shift To West Set Off Scramble

As forecasts for the path of Hurricane Irma shifted west in recent days, millions of people living along Florida's Gulf Coast who thought they would be spared the worst of the monster storm found themselves scrambling to prepare or get out.

By Cameron McWhirter, Arian Campo-Flores and Elizabeth Bernstein

"My thought process was pretty different at the beginning of the week than is it now," said Matthew McWatters, who lives in Fort Myers, Fla., now in the path of the storm. "We all thought it was going to the East Coast and instead it has decided to come over and get us."

Mr. McWatters, 32 years old, a zookeeper at the Naples Zoo, said he and his partner had been debating whether to ride out the storm, but when their county announced a mandatory evacuation order Saturday morning for their neighborhood, they decided to drive east with their two cats to Mr. McWatters's parents' house in West Palm Beach, Fla. "People weren't exactly planning on this," he said.

The storm had been moving through the Caribbean for days and forecasters had warned that its path was uncertain. Last week, forecasts were projecting that it would make landfall in southeast Florida.

But as the storm headed to the Gulf Coast, residents from Marco Island to Tampa and St. Petersburg were forced to switch their plans and scramble to flee, or hunker down as best they could. Evacuation orders on the west came later than they had along Florida's East Coast.

In the Florida Keys, Monroe County officials announced

Southwestern Florida is the area most prone to storm surge in the state.

mandatory evacuations on Tuesday and in Miami-Dade County, they began Wednesday for special needs residents.

But Pinellas County, home of St. Petersburg and now directly in the path of Hurricane Irma, still was expanding mandatory evacuation zones on Saturday, just a day before the storm was supposed to strike.

The county, which sits on a peninsula between the Gulf of Mexico and Tampa Bay, could be hit by 5 to 8 feet of storm surge, county administrator Mark Woodard said Sunday. The county had 17 shelters open, but the shelter system was only about 40% full by late Sunday morning, he said.

Collier County, on Florida's southwest coast, ordered additional evacuations Saturday as officials worked to find space in jammed shelters. Late Saturday, a synagogue and a church in Naples opened their doors as shelters, a county spokeswoman said.

Bryan Norcross, a senior hurricane specialist with the Weather Channel, said Sunday that the southwestern part of the state was consistently in the hurricane forecast cone.

"Everybody is going to say, 'Well, they forecast it to go east and it went west,'" Mr. Norcross said. "In actuality, they forecast it to come to Florida and it came to Florida."

The issue is especially pressing because southwestern Florida is the area most prone to storm surge in the state. "So the consequences of them not evacuating are tremendously high," he said.

Asked about officials' response to Irma's western turn, Gov. Rick Scott said he thought officials had worked quickly to open shelters and "a lot got opened in the last two days."



A home with roof damage after Hurricane Irma hit South Florida. Right, effects of the storm in Pompano Beach. Irma made landfall in the Florida Keys Sunday morning.



Families Fear for Elderly Relatives in Path of Tempest

By MELANIE EVANS AND JEANNE WHALEN

Meg Lowman, a conservation biologist in San Francisco, anxiously awaited word Sunday from her 88-year-old mother, who was riding out Hurricane Irma in a shelter in her retirement community in Fort Myers, Fla.

Her mother, Alice Lowman, recently switched to a smartphone from a flip phone, and wasn't answering calls. Meg Lowman also tried to text her mother, but "I don't think she knows how to reply," she said. Millions of other Americans

with elderly relatives in Florida can relate. One in five Florida residents is age 65 or older, according to July 2016 Census Bureau estimates, compared with about 15% nationally. The nine southern counties of Florida include 1.3 million residents over 65, of whom 320,000 live alone, according to Census estimates.

Thirty Florida hospitals and nearly 400 nursing homes, assisted-living and other health-care facilities had announced evacuations as of early Sunday evening, according to the state's Emergency Operations Center. The frail elderly in

Florida's nursing homes are of particular concern as Florida ordered 6.3 million residents to leave their homes.

The Florida Health Care Association, a trade group, said nursing-home associations in Alabama, Georgia, Louisiana and Mississippi agreed to house some Florida evacuees.

But nursing-home administrators must consider the potential risks of transferring frail residents, said Kristen Knapp, a spokeswoman for the Florida Association.

"These are medically complex" individuals who could be trapped in transit as communi-

ties flee, she said. During Hurricane Rita in 2005, a bus evacuating nursing-home residents south of Dallas caught fire while stuck in traffic, killing more than 20 people.

Administrators of Florida nursing homes that declined to evacuate spent days before Irma's arrival inspecting buildings and stockpiling supplies.

Past experience and detailed emergency plans prepared Florida nursing homes well, says Desiree Sebastian, administrator of Ponce Plaza Nursing & Rehabilitation Center in Miami. The facility, in a part of town Miami-Dade

County designated as vulnerable to flooding, opted not to evacuate. The building has hurricane-impact windows and shutters, and enough food, water and generator fuel "to sustain ourselves for over a week," Ms. Sebastian said.

Resident Elvira Rodriguez, who celebrated her 81st birthday at Ponce Plaza on Friday, said she has lived through hurricanes—Andrew and Wilma—and doesn't worry about Irma. "I'm surrounded by friends," she said. "I'm staying here."

—*Daniela Hernandez and Paul Overberg contributed to this article.*



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HURRICANE HAVOC

Storm Leaves Caribbean Islands Battered

By DUDLEY ALTHAUS

Hurricane Irma left widespread human and economic havoc in a string of tourism dependent Caribbean islands as the storm pulsed into Florida on Sunday.

Irma departed the last of those islands, Cuba, Sunday morning after scraping along its northern coast. Buildings collapsed, trees and power lines fell and roofs flew away in the 130-mile-an-hour winds.

Rain and seawater flooded towns and cities, including the colonial center of Havana, the country's capital and a tourist magnet. Communications were cut off, power was down and infrastructure was damaged in some parts of the island.

No deaths have yet been reported in Cuba, as authorities evacuated thousands of residents and tourists ahead of Irma's arrival. But the hurricane killed at least 22 others across the northern Caribbean in four days of torment.

The storm's damage comes just a few months before the beginning of the winter tourism season, which last year pumped \$56 billion into the regional economy and provided 725,000 jobs, according to the World Travel and Tourism Council, an international industry group.

But Irma affected only a portion of the Caribbean. And while severe on some islands, the storm's destruction was negligible in others, according to an early assessment by the Caribbean Tourism Organization.

Damage so far appears to have been heaviest on St. Martin and nearby islands in the U.S. and British Virgin Islands. On Saturday, President Donald Trump increased federal fund-



Debris litters a street after Hurricane Irma struck St. Martin. Hotels were damaged and there was widespread looting there.

ing for debris removal and emergency protective measures for the U.S. Virgin Islands.

The storm's impact still hasn't been fully assessed in Cuba. Puerto Rico and the Dominican Republic seem to largely have been spared.

"For the countries that are badly affected, it will take some time to get back on their feet," Hugh Riley, an official with the Caribbean Tourism Organization, said Sunday.

The affected islands caught a break Saturday when Hurricane Jose, a Category 4 storm that had been on track to follow Irma's path, turned to the north without making a Caribbean landfall.

Irma began its rampage far to the east of Cuba on Wednesday, tearing into the small two-island nation of Antigua and Barbuda in the northern Leeward Islands. Antigua, the larger of the two, was mostly spared.

Barbuda, famed for its pink sand beaches and luxury resorts, suffered widespread damage and the death of a toddler. More than 90% of the island's buildings suffered extensive damage, officials said.

Philmore Mullin, director of the tiny country's emergency-response agency, said on Saturday that poor building practices were the main cause for much of the damage. He said a primary lesson from the dev-

astation is that the island needs "strict enforcement of the building codes."

The storm's destruction was even worse on the islands to the west of Barbuda, where at least 11 people were killed on St. Martin, a small island jointly controlled by France and the Netherlands.

Both St. Thomas and St. John, in the U.S. Virgin Islands, were badly hit by Irma. At least four people were killed on the islands

and many hotels were badly damaged.

After skirting north of both Puerto Rico and Hispaniola, Irma closed in on Cuba, making landfall near barrier islands where all-inclusive hotels serve foreign tourists. Some 5,000 tourists were evacuated ahead of the storm, Cuban officials said.

Waves as high as 27 feet flooded seaside communities across the northern coast, including in Havana.

St. Martin Struggles to Contain Chaos in Irma's Aftermath

By MATTHEW DALTON

ST. MARTIN—Two days after Hurricane Irma knocked out communications across this sun-soaked island, rumors spread that inmates at a prison had escaped with firearms and were roaming the countryside.

Unsure if the reports were true, authorities rushed to set up checkpoints and then established contact with the prison.

The reports were alarming, said Annick Girardin, the French minister for the country's overseas territories. "We were able to verify that it wasn't true."

The hurricane has left residents of this island in the dark, cut off from almost all communication and gripped with fear over the disintegration of law and order. Looting has been widespread, resi-

dents say, while French police and soldiers have had little presence on the ground. Armed neighborhood groups have stepped in to fill the void.

"The state has been very, very weak," said Tristan Kelaïdites, an 18-year-old baker.

French authorities on Sunday said they were moving swiftly to restore order and services on this storm-battered island, facing rising public discontent over the government's response to the hurricane's devastation.

Residents here awoke to their fourth day without electricity, running water or phone service—but spared additional damage after Hurricane Jose veered north on Saturday night. Now they are pondering whether to stay, given that much of the island's basic infrastructure has been damaged.

Garbage and debris remained piled up on the street. Long lines formed at gas stations. People piled into the few undamaged houses, seeking to get inside before near-complete darkness descended.

Irma cut a swath of destruction across St. Martin starting Wednesday night, damaging 95% of the island's structures, according to some estimates. Residents said they saw little presence of French police or soldiers on the streets to maintain order or provide essential supplies.

"We don't know if we will have enough food or water," said Evelyn Cornilliau, an interior decorator who has lived on the island for 50 years.

The authorities defended their response to the catastrophe, citing the logistical challenges of delivering aid to one



Two men on Sunday looked through the rubble of their restaurant on a beach in Orient Bay on St. Martin.

of France's far-flung island territories.

Jim Goldman, founder of the Brother Jimmy's restaurant chain, was in Manhattan when the hurricane hit St. Martin, where he has an apartment as

well as a restaurant and lounge. After hearing about the extent of the damage from employees, he flew to Puerto Rico and arranged, with a friend's help, to take a helicopter to St. Martin in an effort to help his longtime

business associate, Sophie Simon, and her young daughters.

"My employees are my family and that's why I went down," said Mr. Goldman, 55 years old.

Mr. Goldman said the looting and violence he saw was far worse than what he saw after Hurricane Katrina in Louisiana, where he also had businesses.

Some residents said they are leaving for good. Michael Lymberis is planning to shut his swimming-pool business, sell his house and join close relatives in the U.S.

"It's impossible to start again now. My family has been here for 38 years...but it's finished," he said, adding, "Every year we could have a hurricane, that's the problem. We've been lucky the last 15 years."

—Kate King in Newark, N.J., contributed to this article.

RISKS

Continued from Page One
Orleans and Houston showed the enormous risk of building homes in low-lying areas.

Florida real-estate developers ramped up construction over the past five years as the state rebounded from the housing crash, propelled in part by an aging U.S. population seeking warmer climes.

Tampa posted a 25% increase in new building permits for single-family homes during the first seven months of this year compared with the same period a year earlier, according to U.S. Census data compiled by the National Association of Home Builders. That was one of the largest upticks in construction activity in the U.S.

Home prices have shot up 10% in Tampa over the past year, according to real-estate data firm Zillow, faster than in pricier locales such as Naples and Miami and in the rest of the nation overall. They remain 13% below the peak touched during the housing boom a decade ago, better than Miami's 17% deficit.

Tampa's population has increased 12% since 2010, according to U.S. Census data. Roughly 50% of the population lives on ground less than 10 feet above sea level, according to the Karen Clark report.

"You have this gigantic exposed area that is very low-lying and pretty crowded, pretty dense," said Mark Hafen, assistant director of the school of

Major Growth

Central Florida's west coast has undergone rapid development in low-lying areas that are vulnerable to storms.

Population: Each dot (•) = 500 people

1970



1990



2015



Sources: Brown University Longitudinal Tract Database (1970, 1990); U.S. Census Bureau (2015)

public affairs at the University of South Florida, who lives in Tampa.

The westerly shift of Irma, which weakened to a Category 2 storm on Sunday, might have spared Florida bigger property losses. Florida's west coast up to Tampa has property valued at about \$1 trillion, as determined by replacement cost rather than market value, according to catastrophe modeling firm AIR Worldwide. In comparison, the eastern counties of Palm Beach, Broward and Miami-Dade have property worth about \$1.5 trillion, according to AIR.

Last week, catastrophe modelers said a major hurricane directly hitting Miami

could cause more than \$100 billion in insured losses. While the insured losses could still reach the tens of billions, the worst-case scenarios likely have been avoided, said Karen Clark, chief executive of the modeling company bearing her name.

The total value of residential property in Hillsborough County, which includes Tampa, is some \$111 billion, according to Zillow, much less than Miami-Dade county's roughly \$382 billion.

Building codes across the state were strengthened in the wake of Hurricane Andrew, which battered south Florida in 1992. Resiliency experts predicted this storm will offer a

test of whether they have been made strong enough—and, they hope, confirm that they are needed.

Irma's westward shift means that most of the damage from the hurricane could come from a storm surge rather than high winds. That means less of the economic damage will be covered by insurance. Storm surges cause flooding, which isn't covered under standard homeowners insurance policies.

Maria Ilcheva, a senior researcher at the Metropolitan Center at Florida International University, said her surveys revealed that a declining number of homeowners in Tampa have been purchasing flood insur-

ance over the past five years because the area hasn't been hit by a major hurricane in most people's lifetimes.

Within flood zones, most homeowners are required to buy flood insurance, which is usually provided by the federal government's National Flood Insurance Program. Those who purchase a home in cash or have paid off their mortgage aren't always required to have insurance. The NFIP pays up to \$250,000 to repair a home and \$100,000 for personal possessions. Businesses also buy national flood insurance.

In Florida, 1.7 million government policies were in force as of June 30. More Floridians own the policies than do residents in any other state, including more-populous California and Texas. But the 1.7 million works out to only about 19% of housing units in the state, down from 2 million policies, or 23% of a smaller number of housing units, in 2012.

Florida International University's Ms. Ilcheva said developers have pushed back against having to build structures and install windows that are strong enough to withstand a Category 4 or 5 hurricane, saying they are hampering the building of more-affordable housing in the state.

"I'm not as confident as others that those buildings codes are enough," she said. "If there is one positive thing that may come out of this is it is that the cost of building up to code [is necessary] in order to ensure safety of residents."

Grid Put To Test in Florida

By ERIN AILWORTH

Hurricane Irma knocked out power to close to five million customers in Florida as of late Sunday evening, according to outage maps from the state's utilities, which warned that some people may not regain electricity for weeks, despite billions of dollars in investments to strengthen the power grid in recent years.

While Irma's path shifted to Florida's west coast, Rob Gould, a vice president for Florida Power & Light Co., a subsidiary of **NextEra Energy Inc.**, cautioned customers on the state's east coast to remain vigilant about downed lines, the fact their power might still go out and safety issues with home generators.

"Let me be perfectly clear: Do not let your guard down, do not become complacent," he said at a news conference.

Tampa Electric, a unit of **Emera Inc.**, estimated that because of Irma's shift westward the storm could cause up to 500,000 of its customers to lose power.

Utilities warned that because of Irma's strength and intensity, the damage to electrical systems could cause outages to be prolonged, with some repairs taking weeks.

WORLD NEWS

Saudis Recommit to Widespread Changes

Riyadh seeks to calm concerns in the wake of setbacks to the planned overhaul

By MARGHERITA STANCATI
AND NICOLAS PARASIE

Saudi Arabia sought to reassure citizens and potential investors of its commitment to revamp the country's oil-dependent economy after a series of setbacks that slowed the effort.

The government has backtracked on some politically sensitive moves in recent months, postponing an increase in fuel prices and reinstating some government employee perks. It is now redrafting part of the plan to allow more time for implementation.

"It is important to adjust and adapt to unexpected situations," Saudi Arabia's Ministry of Culture and Information said on Saturday. "Such flexibility should not undermine the stability and predictability needed to allow the private sector to plan its new investments and expansions."

Saudi Arabia last year rushed to put in place a plan to end the kingdom's depen-



Saudi Crown Prince Mohammed bin Salman, shown in April 2016

dence on oil and overhaul a sluggish bureaucracy on a strict timeline. The changes underscore the challenge the Saudi leadership is facing amid worries about a public backlash and the limited capacity of the kingdom's bureaucracy.

The Saudi economic plan, called Saudi Vision 2030, was unveiled in April 2016 by Prince Mohammed bin Salman, 32, who in June leapfrogged his older cousin Mohammed

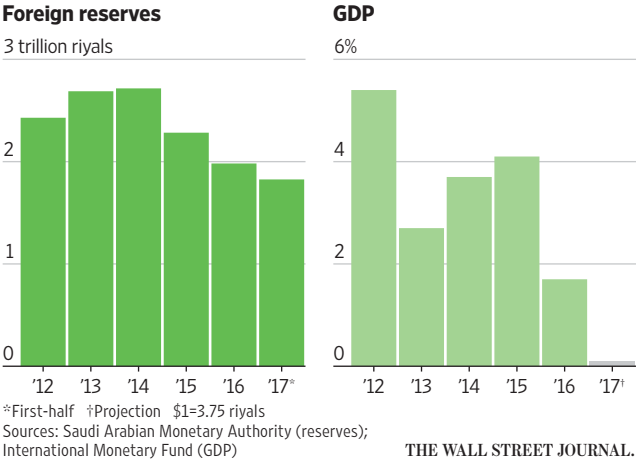
bin Nayef to become crown prince.

Since then, the government has pared spending and narrowed its budget deficit. The more-austere stance has weighed on the economy, damping consumer confidence, hurting the private sector and causing the unemployment rate to rise. It reached 12.7% this year.

As the kingdom struggles to quickly create new sources of wealth, it continues to rely

A Slowing Economy

Saudi Arabia's dwindling foreign reserves and weak growth prospects reflect challenges in transforming its economy.



heavily on oil sales. The International Monetary Fund expects economic growth to be close to zero this year.

Under Prince Mohammed, the government has taken some bold steps, such as reducing subsidies for fuel, electricity and water. But he has also backed away from parts of the plan that have proved deeply unpopular with ordinary Saudis.

In April, the government reinstated allowances and perks

for state employees that it had canceled months earlier, a move that was aimed in part at boosting consumer confidence. A planned increase in domestic energy prices, which was expected to take place in July, hasn't happened yet.

"Before, the approach was: 'Let's march ahead and push economic reform regardless of the pain,'" said John Sfakianakis, a former economic adviser to the Saudi government and the Riyadh-based director of

research for the Gulf Research Center. "That is changing because the reality on the ground paints a different picture."

One important part of the economic plan is the National Transformation Program, or NTP, which sets efficiency goals for ministries and looks for ways to spur private sector growth.

The program is now being revised, maintaining goals on key policies such as privatization and job creation but extending deadlines to achieve them up to 2030, say people familiar with the document.

The government currently employs about 70% of working Saudi citizens, and is trying to shift that burden to private companies. The government this weekend said it has allocated 200 billion Saudi riyals, or about \$53 billion, to support the private sector, including by funding industrial projects.

To encourage private investment, the government last month created a new agency to spearhead privatization of state assets in areas ranging from transport to energy. It also relaxed rules on foreign investment, allowing 100% foreign ownership in the health care and education sectors, for example.

Militant Group Declares Truce in Myanmar

By JAMES HOOKWAY

YANGON, Myanmar—Myanmar dismissed a militant Rohingya group's one-month cease-fire Sunday as a two-week-long surge of refugees streaming into neighboring Bangladesh nears 300,000.

Government spokesman Zaw Htay said Myanmar doesn't negotiate with terrorists after the Arakan Rohingya Salvation Army, whose attacks on government outposts prompted a wave of retribution from the Myanmar armed forces, said it

was suspending operations for one month in the border area to help aid groups get better access.

The border area has been locked down by the Myanmar military since Aug. 25, when members of ARSA attacked border outposts and other security detachments in northern Rakhine state. ARSA's Pakistan-born leader, Ata Ullah, said the attacks were in response to years of repression from the Myanmar authorities, who deny the Rohingya citizenship and restrict their movements.

The Myanmar military has said nearly 400 people have been killed since the attacks, most of them alleged militants. However, aid agencies say the figure could be far higher.

The government of Nobel Peace Prize winner Aung San Suu Kyi is facing international criticism for the military action against the Rohingya. On Wednesday, U.N. Secretary-General António Guterres sent a letter to the Security Council warning the conflict in western Myanmar could destabilize the entire region, and that the

Myanmar military's operations there risked turning into a broader campaign of ethnic cleansing. Muslims around the world are protesting Myanmar's treatment of the Rohingya.

Despite the criticism overseas, Ms. Suu Kyi is facing pressure in some parts of Myanmar for not being sufficiently supportive of the military campaign. She has resisted calls from abroad to condemn the violence, saying instead that world opinion was being shaped by what she called an "iceberg of misinformation."



Police stopped Rohingya refugees from building temporary shelters near the Bangladeshi town of Teknaf on Sunday.

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WORLD NEWS

EU Encounters Defiance on Eastern Edge

Politicians in Poland and Hungary resist some decisions, target bloc with harsh words

Hungarian Prime Minister Viktor Orban barely mentions his political rivals as he campaigns for a fourth term. Instead, he is targeting the European Union and its biggest members.

By Drew Hinshaw in Warsaw and Valentina Pop in Brussels

“Our fiercest opponents are not in Hungarian opposition parties,” Mr. Orban said in a speech last week. “They are abroad...Berlin. Brussels.”

In neighboring Poland, government rhetoric is even harsher. Politicians have one-upped each other in attacking France and Germany, arguing they are forcing multicultural, liberal democracy on more traditional Poles. Commentators on state-run TV compare the EU to the Soviet Union.

Tensions between Western European capitals on one side and Warsaw and Budapest on



Hungarian Prime Minister Viktor Orban spoke at the European Parliament in Brussels in April.

the other have hit their highest levels since their countries stepped out from Soviet domination, a sign of the nationalist challenge to the bloc even after pro-EU candidates defeated populists in France and the Netherlands this summer.

The fight is part of a

larger argument about what the EU’s balance of power should look like after the U.K. leaves. London has long advocated for smaller, eastern countries, who now feel they will be dominated by France and Germany.

EU membership is broadly

popular in both Poland and Hungary—neither government wants to follow the U.K. out. EU funding helped Poland steer clear of a recession during the eurozone crisis and Hungary’s main source of foreign direct investment is the EU budget. Their neighbors

like Czech Republic, Slovakia, and Romania are growing closer to Europe’s west on several key issues. Even Mr. Orban talks fondly of his country’s membership in the community.

But relations have soured. Even with Brexit negotiations under way, “Britain is closer to us than the Poles,” said one senior EU official who described the dispute with Poland, and to a lesser extent with Hungary, as the bloc’s biggest challenge this year.

Countries on the bloc’s eastern edge have resisted opening their borders to migrants, a fight that flared anew last week as the EU’s highest court ruled they must resettle refugees. Hungary, Poland and the Czech Republic have refused to comply.

Poland has shrugged off EU criticism that its government is limiting the independence of the courts and ignored an injunction from the EU high court to stop logging in an ancient forest. Hungary has brushed aside criticisms from the EU Parliament that it limits journalistic independence.

Their disagreements underscore how the U.K.’s impending

departure has upended Europe’s uneasy balance of power. French President Emmanuel Macron, in the wake of the British referendum, has proposed economic overhauls and restrictions on free movement that have upset the newer, ex-communist members, whose citizens are a source of inexpensive labor. Germany’s Chancellor Angela Merkel has expressed openness to some of his ideas.

“Right now, the older member states are dominating,” Polish Prime Minister Beata Szydlo said last week. “They dictate the terms to new member states.”

This month, ministers overseeing EU affairs from member states will meet to discuss Poland. The European Commission, the EU executive, could ask them to start proceedings that culminate with sanctions, including suspending Poland’s voting rights. It has the 22 countries it needs to do that, the EU official said.

To cut voting rights completely it would need unanimity, and Hungary and Poland have each promised to block any attempt to sanction the other.

YUAN

Continued from Page One

the central bank notice, which was reviewed by The Wall Street Journal.

As trading resumed in Asian markets Monday, the yuan plunged both on the mainland and in Hong Kong.

According to a separate notice by the PBOC, the monetary authority late Friday also removed the reserve requirement on foreign banks’ yuan deposits, which will release more yuan funds into what is known as the offshore yuan market in Hong Kong, potentially making it easier for foreign investors to bet against the yuan. That requirement was enacted in January 2016.

Officials familiar with the policy changes said authorities are also expected to phase out by the end of the month measures put in place late last year to curb China’s outbound investment, a move made when the currency’s value was falling sharply. Many companies complained that move resulted in a near-blanket ban on their foreign-investment endeavors. It will be replaced by formal guidelines issued by the State Council in August.

Those new guidelines encourage foreign deals in some areas such as technology, while discouraging them in property, sports, entertainment and other sectors. “As situations in the foreign-exchange market improve, it makes sense to withdraw some of those temporary mea-

sures,” said one of the officials involved in policy making.

In dismantling certain controls, Beijing is shifting course from an effort started two years ago to keep the yuan from weakening too quickly and to maintain confidence in the world’s second-largest economy. To do so, Beijing subjected outbound investments to heavy scrutiny, made betting on the yuan’s decline more expensive for traders and burned through \$1 trillion in foreign-exchange reserves to support the yuan in the past several years.

China’s strategies gained traction this year. But an unexpectedly prolonged softening of the dollar has caused the yuan to soar, making the currency again a policy head-

ache for the government. So far this year, the yuan has more than recouped all of its 6.6% decline against the dollar last year, and last week alone, it gained more than 1.8%—its biggest weekly advance in al-

An unexpectedly prolonged softening of the dollar has caused the yuan to soar.

most 12 years.

Andy Rothman, investment strategist at Matthews Asia, said the significant weakness of the dollar, along with Beijing’s continued intervention in the market that has led to a

rebuild of China’s foreign-exchange reserves, has “left the Chinese government much less nervous about the need to micromanage currency flows.”

China’s foreign-exchange reserves rose by \$10.8 billion to \$3.09 trillion by the end of August. Since the end of last year, China’s reserves have risen \$81 billion.

The yuan’s surge is starting to drag on China’s export growth, making Chinese goods more expensive and threatening to erode profits for many manufacturers that sell to foreign markets. That further weighs on the economy which is forecast to resume a years-long slowdown and is struggling with anemic private investment, heavy corporate debt and frothy real-estate prices.

“It’s really hard to understand why the renminbi is soaring all of sudden,” said Pan Haisong, who runs Shanghai Taijing International Freight Co., an international shipping company. Renminbi is another name for the yuan.

Mr. Pan said many of his exporter clients have reduced their orders because of the the rising yuan.

Beijing isn’t looking for a wholesale weakening of the yuan and still retains formidable control of the currency—from limits on the ability of Chinese companies and individuals to take money out to a heavy hand in setting the yuan’s official rate against the dollar. Known as the “fixing,” the daily official rate indicates which way Beijing wants the yuan to go.

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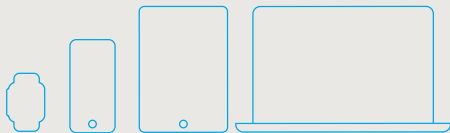
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WORLD WATCH



SUDS AND SPEED: Competitors drove homemade vehicles without engines Sunday at a Red Bull Soapbox Race in Kluisbergen, Belgium.

CHINA

Consumer Prices Recovered in August

Consumer-price inflation accelerated to a seven-month high last month as prolonged weakness in food prices subsided and commodities prices rebounded.

August's stronger, yet still moderate, inflation is a good sign for the Chinese economy, economists said, as improved demand for consumer and industrial products points to better profits ahead for industrial firms.

China's consumer-price index increased 1.8% in August from a year earlier, compared with a 1.4% gain in July, the National Bureau of Statistics said Saturday. The key inflation reading outpaced a 1.6% gain forecast by economists polled by The Wall Street Journal and is well below policy makers' inflation ceiling of about 3%.

"Today's data show that domestic demand remained solid and economic growth momentum is still steady," said Liu Xue-zhi, an economist at Bank of Communications.

Food prices, which have been declining for seven straight months, edged down 0.2% on year, after dropping 1.1% in July. Consumers paid more for fresh vegetables and eggs last month.

Pork prices, the main reason behind this year's weakness in food prices, dropped at a slower pace last month, declining by 13.4% in August from a year earlier.

—Liyang Qi

EGYPT

Police in Capital Kill Militants From Sinai

Police on Sunday killed 10 militants who had entered the capital from the northern part of the Sinai Peninsula, epicenter of an insurgency led by an affiliate of the Islamic State group, the Interior Ministry said.

A statement by the ministry, which oversees security forces, said the militants were hiding in two apartments in the densely populated Ard el-Liwa neighborhood, where they held organizational meetings and planned a "series of terror attacks" in central provinces, a reference to Cairo and its twin city of Giza.

The presence of a cell of as many as 10 militants in a Cairo district not far from the heart of the city points to a determined effort by IS and other militant groups to stage potentially high-profile attacks in the national capital, which would shatter a fragile sense of security in a city of some 20 million people.

The ministry's statement said police simultaneously raided the apartments at dawn. Militants in the first apartment opened fire on the raiding force and all eight of them were killed, it said.

The statement didn't say whether the militants belonged to Islamic State, but appeared to rule out they were members of Hasm, a faction of the outlawed Muslim Brotherhood that has attacked police and army officers in Cairo several times in the past year. —Associated Press

FROM PAGE ONE

BRAND

Continued from Page One

LaunchPad Inc. founder Jeremy Smith, who works with food brands seeking Costco shelf space, tells clients: "Assume a 'KS' version of your product will come into the market." When that happens, he said, savvy manufacturers offer Costco new versions of their product, tweak packaging to highlight what's better about their brand or spend more on marketing—all costs Costco doesn't incur with Kirkland.

At Costco, negotiating for a spot in stores is a complex dance. Brands fight for space at the retailer's cavernous warehouses, which on average carry only 3,800 products. The typical supercenter sells over 100,000. Adding to the pressure, Costco often introduces a new Kirkland product when its buyers or executives believe a brand isn't selling at the lowest possible price.

Today, Costco's nut aisle is almost entirely made up of Kirkland Signature products, including single-serving packages sold in boxes of 30, bags of almonds and nut clusters. Over a decade ago, what was formerly called Kraft Foods lost spots for its Back to Nature fruit-and-nut mix single-serving packages and several varieties of Planters nuts, said a person familiar with the change.

Leading up to the Kirkland introductions, Kraft raised the price on several nut products without showing the direct justification Costco demands, like an increase in nut prices, and declined Costco's offer to make Kirkland products, the person said. Since then only a handful of Planters products have been sold at Costco, currently two varieties in some stores and on Costco.com. Because of Costco's size, the retailer can sometimes buy commodities like nuts at lower prices than consumer-goods companies.

A spokesman for Kraft Heinz Co. declined to comment.

The pressure manufacturers face from private brands is set to increase.

Building successful store



Around a quarter of Costco's annual sales come from Kirkland.

brands is a priority at Wal-Mart Stores Inc. and Amazon.com Inc. as they battle to boost margins and attract shoppers. After Amazon acquired Whole Foods, it quickly added the grocer's store brand, 365, to its online food offerings. Wal-Mart and its warehouse chain, Sam's Club, are reworking and adding to their store brands.

Though Costco's stock price has suffered amid investor fears that its e-commerce operations aren't ready to go head-to-head with Amazon, the retailer has kept sales growing,

The pressure manufacturers face from private brands is set to increase.

in part by using Kirkland to pressure manufacturers to lower prices and bring products to shelves that can't be purchased elsewhere.

"If you have something unique, it's un-Amazonable," said Simeon Gutman, a retail analyst at Morgan Stanley.

Still, Costco doesn't aim to become a store that only sells Kirkland products, said Costco finance chief Richard Galanti. Shoppers expect to find brands they know at Costco, and Kirkland looks like a better value next to a higher-priced branded version, he said. Often Costco collaborates with brands on products, like its

Starbucks-roasted Kirkland coffee beans.

If a Kirkland product doesn't sell well, it doesn't stay on shelves, Mr. Galanti said. "We try to be agnostic on it. We try it like any other brand." In the past, Costco has pulled the plug on store-brand cosmetics, soda and toothpaste.

Some ideas never even hit the aisles, like Kirkland women's jeans. "Never say never on anything," said Mr. Galanti, but "the feeling was it wouldn't work."

Brands often find ways to coexist with Kirkland. About three years ago, Costco buyers calculated that a Kirkland bar similar to a Kind Bar would be 30% cheaper, mostly by cutting marketing costs, said Tess Wilkins, a general merchandise manager at Costco.

Kind Bars sold for about \$18 for a pack of 18. "It was a very, very good item for us, and to walk away from those sales, you really have to think hard," she said.

When almond prices dropped in 2016, Costco decided to proceed, Ms. Wilkins said. Over about five months, Costco developed the Kirkland Signature Nut Bars, made by Leclerc Foods USA, which is owned by Leclerc Group, a Canadian manufacturer, and now sells a 30-pack for \$17 in stores.

Kind Bars are still carried at Costco, though mostly new varieties, including fruit bars, mini nut bars and a peanut-free bar. "We look forward to continuing to grow with them," said a Kind spokeswoman.

WORLD NEWS

Malaysia's Leader to Visit

President Donald Trump will host Malaysia's premier this week, in a visit that shows how hard his administration is working to court Asian allies to pressure North Korea over its nuclear-weapons program.

Tuesday's visit by Malaysian Prime Minister Najib

By Alan Cullison and Aruna Viswanatha in Washington, D.C., and Ben Otto in Jakarta

Razak comes as a U.S. Justice Department investigation into the looting of a Malaysian economic-development fund threatens to ensnare much of the country's ruling elite, including Mr. Najib.

While officials say Malaysia's burgeoning economy and trade ties throughout Asia, including North Korea, could make it an important partner in taming Pyongyang's nuclear ambitions, the breadth of the corruption case makes cooperation awkward.

The Justice Department has alleged that billions of dollars were misappropriated from the fund, 1Malaysia Development Bhd., or 1MDB. Justice Department lawyers are suing to seize more than \$1.6 billion in allegedly stolen assets that were used to buy items ranging from luxury real estate in Manhattan and Beverly Hills to jewelry and a private jet.

Mr. Najib, who set up the fund in 2009 aiming to boost the Malaysian economy, hasn't been named in the lawsuits, and he denies any wrongdoing in the affair. But the suit does allege that a "Malaysian Official 1" received hundreds of millions of dollars in siphoned funds. The Wall Street Journal has reported that official is Mr. Najib, citing a person with direct knowledge of the investigation.

The White House declined interview requests last week on the visit. People familiar with the case also said the meeting could complicate any future criminal case stemming from the allegations, if defendants in subsequent cases



Prime Minister Najib Razak attended National Day celebrations in Kuala Lumpur last month.

could use any photos of Mr. Najib meeting with Mr. Trump or other senior White House officials in their defense.

Last month, the White House said Mr. Trump was looking forward to discussing with Mr. Najib ways to strengthen ties, calling Malaysia "one of America's closest partners in Southeast Asia."

A Justice Department spokesman declined to comment, but people familiar with the case said the department wasn't involved with planning Mr. Najib's visit.

People familiar with the situation said the White House and State Department are responsible for U.S. diplomacy, but that it was unusual that Mr. Trump would be meeting with Mr. Najib, given the corruption case.

Other U.S. officials said the visit should be worthwhile if only because it will offer a chance to discuss North Korea with Malaysian officials, and

press them to do more to crack down on Pyongyang.

Mr. Najib will be the second Southeast Asian leader to visit Mr. Trump in Washington, following a trip in May by Vietnam's prime minister.

Mr. Najib also met with for-

cial partner to any effort to isolate North Korea.

But for years it has been a conduit for Pyongyang to do business in ways that United Nations investigators say have helped the regime evade global sanctions. A loose regulatory environment makes Malaysia an easy base for illicit transshipment, financing and foreign-exchange transactions, experts on North Korea have said.

Malaysia was named in a report published late last week by U.N. experts investigating the evasion of international sanctions against the purchase of North Korean coal, after China agreed to prohibit imports earlier this year.

Malaysia rebuffed U.N. queries about coal shipments and about North Korean officials operating in Malaysia, as well as a request to shut down firms seen as helping the nuclear-armed regime evade sanctions, according to the report.

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IN DEPTH

JOBS

Continued from Page One
workers to relocate, some companies have decided to move closer to potential hires. Firms are expanding to cities with a bounty of underemployed, retrieving men and women from freelance gigs, manual labor and part-time jobs with duties that, one worker said, required only a heartbeat to perform.
With the national jobless rate near a 16-year low, these pockets of underemployment are a wellspring for companies that recognize most new hires already have jobs but can be poached with better pay and room for advancement. That's preferable to competing for higher-priced workers at home.
Mark Williams, the chairman of the board for the Site Selectors Guild, a trade association for firms that help companies scout new locations, said a supply of underemployed workers has joined transportation access and the cost of doing business as factors in deciding where to open plants and offices.

Mutual benefit

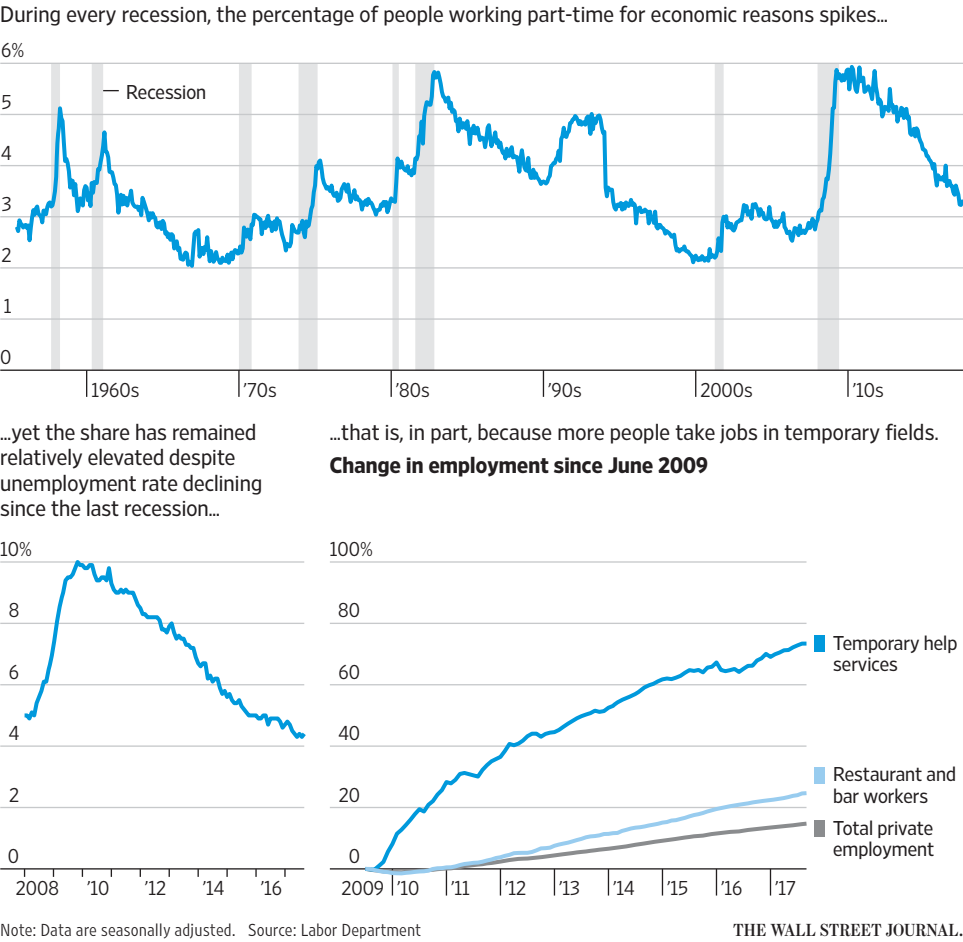
The matchups pay off for all sides. Companies find qualified workers and keep a lid on labor costs. Employees find better jobs without the financial and emotional cost of relocating, said Sam Schulhofer-Wohl, a senior economist and research adviser with the Federal Reserve Bank of Chicago.
And new employers often return experienced people to full-time work, said Nicholas Bloom, an economics professor at Stanford University, yielding better paychecks and more opportunities for advancement.
Having a deep pool of underemployed people helped Thornton, Colo., where unemployment is below 3%, recently land a new Amazon.com Inc. sorting center slated to hire 1,500 full-time employees, according to a local official. An Amazon spokeswoman said the local workforce is "definitely important" in expansion decisions. (The company last week announced plans to seek a location for a second headquarters. Amazon declined to comment beyond its written materials, which don't mention underemployment as a factor.)

Some job categories that employ largely part-time workers have grown faster than other types of employment. The number of people working at bars and restaurants has risen nearly 25% since the end of the recession in June 2009, while private-sector employment was up about 15%. Additionally, the number of people working in temporary help was up 73% over the same period, in part because many businesses shifted some in their workforces to temporary positions to limit the cost of full-time benefits.
One measure of underemployment is the share or workers in part-time jobs who would prefer to work full time. That makes up some 5.3 million U.S. workers, or about 3.2% of the civilian workforce, federal data from August



Brian Brown, chief operating officer of AvePoint, which opened an office in Richmond.

Part-time Paychecks



show. That proportion of underemployed is down from a high of nearly 6% in 2010 but above the 2.8% average in the decade preceding the recession.
In Tulsa, Okla., prospective employers usually cut to the chase and ask for estimates of the city's underemployed, the so-called hidden-labor market, said Brien Thorstenberg, the senior vice president of economic development for the Tulsa Regional Chamber of Commerce.
Tulsa based its talent-pool estimates on worker surveys distributed through local technical and community colleges that gathered information about income, age, skills and a desire for better opportunities.
The chamber in June released a survey showing a 13.5% underemployment rate, compared with an unemployment rate of between 4% and 5%. The analysis revealed a sizable group of people who have been working for three to five years but aren't using the

full range of skills from their technical training.
"When it's a tight labor market, it's nice to know," Mr. Thorstenberg said.
Untapped talent
Paula Harvey, vice president of human resources and safety for Schulte Building Systems Inc., a manufacturer of metal buildings based in Hockley, Texas, faced a problem common in an economy at or near full employment.
Schulte, which employs 600, closed a small engineering office in rural Tennessee last year after losing staff. The company could have offered higher pay, Ms. Harvey said, but it made more sense to hire a team of engineers in Louisiana who had been laid off from a similar company.
The hires didn't save money—the Louisiana workers had more experience—but the company quickly landed a battle-tested team, Ms. Harvey said.

The company is now considering plans to expand to either Ohio or Indiana, states that have lost manufacturing jobs, Ms. Harvey said. Pay there would likely be lower than in the Houston area but still attractive, she said: "There may be folks living in that area who are underemployed or misemployed who would be excited to work for us."
Last fall, Toronto-based Lynch Fluid Controls Inc. opened its first U.S. shipping-and-receiving warehouse near Buffalo, N.Y.
After assessing several cities, Lynch chose the western New York area, which has suffered a loss of industrial employers over past decades. Unemployment has shrunk but more than 132,000 people, many in prime working years, are underemployed, according to research commissioned by Invest Buffalo Niagara, a regional economic-development group.
"They may be in jobs, but

they may be jobs they don't like or don't have the opportunity for advancement," said Ernie Lynch, the president of Lynch, which makes components for hydraulic and motion-control systems.
Mr. Lynch hired a Buffalo recruiter who found one of the company's first hires in her own backyard. That was landscaper Tracy Himmelback, 49 years old. He had spent the previous three years tending lawns and working at a restaurant after leaving a manufacturing supervisory job where staff reductions made him worry about workplace safety, Mr. Himmelback said.
A big payday
To make ends meet, Mr. Himmelback, a married father of two, took few days off. But the irregular hours, pay dips during winter and the feeling he wasn't using his full abilities weighed on his health, family life and psyche, he said: "You're just a working peon, so to speak."
He had lived in North Tonawanda, N.Y., all his life and said he "never thought of moving. All my family is here."
Now, Mr. Himmelback is a full-time assistant manager at Lynch's new warehouse, just minutes from his home. His pay rose to about \$45,000 a year, up from \$30,000, with more benefits and fewer hours. Mr. Himmelback said he can afford to let his 11-year-old son play on a travel baseball team, and a regular schedule gives him a chance to coach.
The arrangement also works well for Lynch, which saves on time and shipping costs by having a warehouse closer to the Canadian company's U.S. customers.
Network Capital Funding, the mortgage banking and finance firm in the Southern California city of Irvine, had found it increasingly difficult persuading recruits to relocate. Many millennials aren't "willing to take that risk," said Mr. Nguyen, the chief executive.
Network Capital had a few employees working remotely in Miami, where they reported an oversupply of underemployed. The company opened its Miami office in June 2015 with three people. It now has 50 employees, including college graduates who escaped jobs as waiter, filing clerk and shoe salesman.
Kerissa Nelson joined in February, more than a year after she earned a degree in criminal justice. Ms. Nelson, age 25, had been working part time as a "brand ambassador," hawking vodka at a beach bar, one time, and helping fans play videogames at a baseball festival. The job sometimes required her to wear embarrassing get-ups, she said, and it paid about \$1,000 a month.
"I wanted something that matched the time and energy I spent obtaining my degree," Ms. Nelson said. Her job at Network Capital more than tripled her income, she said, and carried an opportunity for raises.
Company salaries are about 15% to 30% less in Miami, Mr. Nguyen said. His mortgage bankers, who rely largely on commissions, are paid the same, he said: "The big difference is that people in Califor-

nia are happy with it, and the people in Florida are ecstatic because it goes a lot farther."
New Jersey's AvePoint, which develops and sells software to help corporations manage and protect data, first considered expanding to Virginia in 2015. It faced stiff competition for qualified workers from other technology firms in its home market of Jersey City, N.J., across the Hudson River from New York City.
With help from a consultant, AvePoint reviewed some 20 locales. The firm searched for a midsize city with a highly educated population, Mr. Brown said, and where people took jobs "that were less than their level of education just to stay."
Richmond fit the bill. The city of about 223,000 has cobblestone streets and a popular dining scene. There is white-water rafting and kayaking on the James River, which runs through Richmond, the state capital and home to several universities, including Virginia Commonwealth University.
The city's unemployment was 4% in July, but underemployment was about 12% in the second quarter of 2017, according to the state's economic development authority.
By opening a Richmond office, AvePoint was eligible to receive as much as \$450,000 in state incentives, Mr. Brown said, but that wasn't a deciding reason. AvePoint committed to a \$2.1 million capital investment and 100 jobs.
The company could have raised wages in New Jersey, Mr. Brown said, but that was hard to justify when it could find untapped talent elsewhere. AvePoint pays about 20% less in Richmond than in Jersey City. Account specialists, a sales job that pays commission, for instance, earn a starting base salary of \$40,000 in Richmond and \$50,000 in Jersey City; commissions are the same.

Waffle Wednesdays

Mr. Brown said his Richmond employees end up with more buying power because of the lower cost of living. Median housing values in Richmond, for instance, were nearly 40% lower than in Jersey City from 2011 to 2015, according to the Census.
AvePoint has found its Richmond crew notably productive, Mr. Brown said, maybe because workers are happy to have found a good job without the headache of moving to another city. The new industrial-chic office in Richmond has a lively staff that breaks for arcade games, yoga and Waffle Wednesdays.
Hunter Willis, a 33-year-old account technical specialist, left his job at call center and doubled his income. Mr. Willis, a college graduate, said he had been "significantly underemployed" before getting hired by AvePoint. He didn't want to move to a bigger city, he said, fearing "two hours a day in traffic."
AvePoint's success has prompted the company to turn Richmond into its operational headquarters, Mr. Brown said. The company plans to have 200 employees there by the end of 2018.
—Eric Morath contributed to this article.

WEEVIL

Continued from Page One
Station, and slowly made its way to Alabama. By 1917, the entire state was infested, and cotton production fell 70% from three years earlier.
In the depths of the disaster, banker and cotton merchant H.M. Sessions persuaded farmers in Coffee County, where Enterprise is located, to diversify into peanuts. The goobers grew prodigiously. By 1919, Coffee County was the largest peanut-producing county in the U.S.
The financial rebound gave local merchant Roscoe Fleming the idea to erect a monument to honor the unexpected bounty wrought by the boll weevil.
On Dec. 11, 1919, thousands of people attended the unveiling of the Boll Weevil Monument. George Washington Carver, who invented hundreds of uses for the peanut, was invited. But heavy rains washed out a section of the railroad track between Enterprise and Tuskegee, Ala., scrubbing his plans.

The original monument featured only the goddess and a fountain. Enterprise, which calls itself "the City of Progress," installed the much larger-than-life weevil in 1949.
Erin Grantham, president of the Enterprise Chamber of Commerce—organizer of the town's annual Boll Weevil Fall Festival—says the beetle-mania is good for business.
The town of about 30,000 has few empty storefronts these days, with enterprises that include Boll Weevil Brewing Supply, Boll Weevil Soap Co. and the Boll Weevil Inn. The local radio station is Weevil 101.1 WVVL.
To attract new business, city administrators, wearing boll weevil lapel pins, tell the tale of the pest that turned cotton into gold. The city's former mayor persuaded Arista Aviation to relocate to Enterprise from Arizona, says Rich Enderle, Arista's chief executive. The company repairs and modifies Huey and Black Hawk helicopters for commercial and government use.
The company picked Enterprise for a 65,000-square-foot hangar that opened in 2014. A display case in the lobby fea-



The mascot of Enterprise State Community College.

tures a crystal vase with an etched boll weevil, presented by the mayor at the time.
Mr. Enderle says he was already familiar with the Main Street monument. He first came to town in 1980 to attend flight school at nearby Fort Rucker, a U.S. Army post. One class taught about local landmarks and introduced newcomers to the Boll Weevil Monument.
"There's no way it's real!"

anatomically correct version with six legs instead of four.
Thieves struck again in 1974 and took the whole statue. It was recovered, but badly damaged. In 1981, just the bug was stolen and never found. Its replacement was ripped off in 1992. The last straw came in 1998, when two teenagers stole the whole shebang, leaving the monument a wreck. It is now on display at the nearby Depot Museum, and a pristine replica stands on Main Street.
Engineering students at Enterprise High School used 3-D printers last year to create miniature boll-weevil monument Christmas ornaments. About 300 sold at \$10 a pop. "They didn't realize how big it was going to be," Ms. Grantham says.
Enterprise State Community College, which calls itself the Weevil Nation, has for years employed a boll weevil mascot in bright green costume to roam the sidelines at games. "I've had a lot of people say I look like a frog or I look like a lizard," says William Lindgren, a sophomore who gets a \$1,000 scholarship a semester to dress as school

mascot Bo Weevil.
"When people ask, I tell them, 'Yeah, I'm a boll weevil,'" he says.
Stephen Schmidt, director of public relations, says the school is considering reworking the costume: "Little kids are scared of the pincers."
Mr. Lindgren, when in costume, sometimes hands out candy to children fearful of the buggy get-up. "But the little, little ones, no matter what, they're going to be terrified," he says.
Mr. Lindgren, who is studying biological sciences, says an energetic dance routine helped him beat two competitors during the mascot tryouts.
"Ever since I was little, it's been something I was interested in," he says. "I would walk around football games or college basketball games, and I saw how entertaining he is, how energetic he is...It's an honor to be a role model for the city of Enterprise."
The boll weevil, Ms. Goodson says, represents a message of triumph over adversity, and a willingness to embrace change.
"We could take a lesson in that right now," she says.

GREATER NEW YORK

Legacy on Line in DA Race

Brooklyn candidates battle over who can best continue the work of Kenneth Thomson

By THOMAS MACMILLAN

During closing statements at a candidates forum, one of the six people vying to become Brooklyn's next district attorney articulated the central theme of the race: claiming the mantle of Kenneth Thompson. Mr. Thompson, the former DA, died of cancer at age 50 last October.

The primary election is Tuesday, and there are no Republican candidates. Each challenger wants to claim Mr. Thompson's legacy and position him or herself as the true reformer in the race.

Brooklyn's first African-American district attorney, Mr. Thompson created a young-adult court for juvenile offenders and established a conviction-review unit that moved to dismiss more than 20 wrongful convictions. He also changed the office's policy so that most low-level marijuana offenses are no longer prosecuted.

"The tenor of this race is really different than pretty much any district attorney race that New York has ever seen," said Alyssa Aguilera, co-executive director of Vocal New York, an advocacy group that seeks changes in the criminal-justice system.

Where previous races have been dominated by rhetoric about cracking down on crime and increasing public safety, the candidates in this contest have been "outflanking each

Focus of Contest Cuts Two Ways

Advocates for change in the criminal-justice system in Brooklyn have hailed the focus on Kenneth Thompson's legacy. "I have a one-word response to that and it's 'hallelujah,'" said JoAnne Page, head of the Fortune Society, which promotes alternatives to incarceration. "To the extent that he's used as a role model by all of them, I think that is a bright light about what the Brooklyn district attorney's office will be, as long as they follow through."

Brooklyn's top prosecutor has an opportunity to lead the way nationally at a time when the Justice Department seeks stiffer sentences and harsher consequences for noncitizens who break the law, Ms. Page said.

But the candidates' focus may be misguided, said Arthur Aidala, a former assistant district attorney who had been considering a run for the top spot this year.

"It sounds like they're all

other to the left," she said.

Candidates have promised to continue Mr. Thompson's programs and overhaul the bail system, help lower the population in the Rikers Island jail, track whether defendants face different outcomes by race and make that data publicly available, protect undocumented immigrants and expand alternatives to incarceration.

Eric Gonzalez, the acting district attorney, has the most



Kenneth Thompson died last year of cancer at the age of 50.

running for the head of legal aid and not the head of the district attorney's office," he said, referring to the Legal Aid Society, a public-defender organization.

The average voter is concerned about safety, not limiting the use of bail or progressive policies, Mr. Aidala said. "They want to be able to walk to the R train or the F train without being bothered."

—Thomas MacMillan

straightforward claim to Mr. Thompson's legacy.

"I worked very closely with Ken Thompson to start critical reforms," he said during the forum held last month at Mount Pisgah Baptist Church. "I'm best situated to continue this progress in Brooklyn."

Other candidates challenge his claim.

"It's not enough to say that somebody wanted you to do this, because that person's not

here to tell us whether he did," said Patricia Gatling, a former narcotics bureau chief in the district attorney's office.

Mr. Thompson was successful because he brought experience as a civil-rights lawyer to the job, she said, touting her own record as deputy secretary for civil rights for New York state and as former commissioner of the NYC Commission on Human Rights.

"Four years ago, I was the only person sitting right up here who supported Ken Thompson," said Ama Dwimoh, a former Brooklyn prosecutor and current special counsel to the Brooklyn borough president.

During the 2013 district attorney race, she said, all the other current candidates in this year's race supported incumbent Charles Hynes, who lost in an upset to Mr. Thompson.

As the only candidate who isn't an alum of the Brooklyn district attorney's office, City Councilman Vincent Gentile said he comes to the job with no allegiances, just as Mr. Thompson did in 2013.

Candidate Anne Swern, also can claim outsider status, because she would be coming to the job from her current post as managing counsel for Brooklyn Defender Services, a group of public defenders that operates in Brooklyn criminal court.

Marc Fliedner, who left the district attorney's office last year to start a civil-rights and criminal-defense practice, bolstered his claim to the office by reminding voters that Mr. Thompson placed him in charge of the civil rights bureau the DA created in 2014.



Names of victims at the 9/11 memorial in lower Manhattan.

The City Is Set To Mark 9/11

By CHARLES PASSY

At last year's Sept. 11 commemoration ceremony at the memorial site in lower Manhattan, presidential-election politics colored the event, with candidates Donald Trump and Hillary Clinton in attendance.

Mrs. Clinton had to depart early for medical reasons and was seen in a video appearing wobbly as she entered a car, fueling discussion about her physical readiness for office.

This year, some connected with the tragic day are hoping the event will return to what it traditionally has been: A chance to honor the roughly 3,000 people who lost their lives in the 2001 attacks and look ahead to a brighter future.

"It was almost like we hadn't learned anything," said Helaina Hovitz, author of "After 9/11: One Girl's Journey Through Darkness to a New Beginning," of last year's political distractions. Ms. Hovitz grew up in lower Manhattan and was in middle school at the time of the event.

The Monday morning ceremony will be open only to family members of victims from the attacks and the 1993 World Trade Center bombing, along with special invited guests.

As in years past, family

members are invited to participate in a reading of the victims' names, say officials with the National September 11 Memorial & Museum, which organizes the ceremony.

The event will be paused six times, denoting when hijacked planes hit the twin towers in New York City and when the buildings fell, in addition to the times when hijacked planes hit the Pentagon near Washington, D.C., and crashed into a Pennsylvania field.

Starting at 3 p.m., the 9/11 memorial will be open to the public, officials said. In the evening, the Tribute in Light, an annual public-art installation that honors those lost on 9/11, will be illuminated in lower Manhattan.

While there is an expectation that this year's ceremony will be less political, at least one family member of a 9/11 victim said he welcomes the politicians who attend the event.

Charles G. Wolf, whose wife, Katherine, worked at the World Trade Center and was killed in the attacks, said it is appropriate that elected officials and those vying for office show up because it speaks to the significance of the event.

"This was a watershed moment for the United States," he said.

Food Worth Talking About

By CHARLES PASSY

During the course of the year, New Yorkers have no shortage of food events to attend. But Taste Talks, a culinary showcase that wrapped up its fifth annual edition this past weekend, aims to be something different, organizers said.

It puts as much emphasis on the talking as the tasting. The event is a "thought-leadership conference disguised as a food festival," said co-founder Daniel Stedman.

About 6,000 attended this year's Taste Talks—around three times the number when the event was first held, he said.

To emphasize its cerebral side, Taste Talks, held at locations throughout Brooklyn's Williamsburg neighborhood, hosted a series of panels over

the weekend that looked at everything from the growing interest in fermented foods to the future of supermarkets.

Speakers included a number of prominent New York chefs, such as Daniel Rose of Le Coucou and Dan Barber of Blue Hill at Stone Barns.

There was plenty of tasting involved, too. At the event's Future Food Expo, attendees could sample a variety of emerging food and drink items, from a yogurt-like dairy product known as quark to a beverage made from unroasted (or green) coffee beans.

Attendees said they appreciated that the event was about more than just eating.

"We like understanding the story behind the food," said Abbie Wharff Rosenblum, a Harlem resident who was attending the festival for the first time.

Buffalo Bills Thump Jets in Week 1



UPSTATE MATCHUP: Bills quarterback Tyrod Taylor was on the move Sunday. He threw two touchdowns in a 21-12 win over the Jets.

Relics of Padre Pio Are Going on Display at St. Patrick's Cathedral

By STEPHEN NAKROSIS

The relics of St. Pio of Pietrelcina—which have drawn tens of thousands of visitors at earlier stops—will be on display at New York City's St. Patrick's Cathedral this month.

It is the latest stop in a nationwide tour celebrating the 130th anniversary of the birth of the Italian Franciscan monk commonly known as Padre Pio, who was canonized in 2002.

The veneration of holy relics has a long history in Roman Catholic tradition.

Rev. Christopher M. Ciccarino, associate dean at Seton Hall's Immaculate Conception Seminary, said relics are by no means "magical, but they do allow us to come close to holy men and women."

Luciano Lamorarca, the founder of the Padre Pio Foundation, said the first leg of the tour, which took place in May,

attracted about 80,000 people at six sites in the U.S.

The roughly half-dozen relics include a lock of St. Pio's hair, a glove with blood from his stigmata wounds and his priestly mantle.

St. Pio founded a home for the sick in Italy, which grew to a 1,000-bed hospital.

Although Mr. Lamorarca has a career as an opera tenor, he has taken an interlude to transport the relics across the country.

"It is my passion job," he said.

"We expect 200,000 [visitors] for the second part of the tour," when the relics will travel to Bridgeport, Conn., St. Louis and Chicago, among other places, Mr. Lamorarca said.

St. Pio was born Francesco Forgione in 1887. He entered the Capuchin Friars and was ordained a priest in 1910.

Throughout his life, he had a reputation for holiness, and was said to have manifested several supernatural phenomena, including the stigmata, which are wounds in the hands and feet paralleling those of Jesus on the cross.

In 1940, St. Pio founded a home for the sick in Italy which has grown to a 1,000-bed hospital, the Casa Sollievo della Sofferenza (Home for the Relief of Suffering) in San Giovanni Rotondo.

St. Pio died Sept. 23, 1968, in Italy.

The relics will be on display Sept. 17 and 18 at St. Patrick's Cathedral from 7 a.m. to 8 p.m. There is no fee.

Msgr. Robert T. Ritchie, the rector of St. Patrick's, said the Padre Pio Foundation sent information about their plans to bring the relics to the U.S.

Msgr. Ritchie said the Cathedral was "very honored" to be hosting the relics. "This is coming at a wonderful time, especially for Italian-Americans."



The body of St. Pio of Pietrelcina at the Vatican. Some relics of the saint will be shown in New York.

GREATER NEW YORK

GREATER NEW YORK WATCH

COURTS

Justices to Hear Case On Hospital Shooting

The Connecticut Supreme Court is set to hear arguments in the case of a nurse who was shot and wounded at Danbury Hospital in 2010 while trying to protect another staff member from the shooter.

Justices are scheduled Tuesday to hear an appeal by Andrew Hull, a nurse and former Marine, who was awarded a Carnegie Hero medal for his actions.

Mr. Hull sued the town of Newtown after the shooting. He said a town officer who brought the shooter, 85-year-old Stanley Lupinski, to the hospital for an emergency psychiatric evaluation failed to check him for weapons.

A judge dismissed the lawsuit in 2015, ruling that Mr. Lupinski technically wasn't under arrest, and therefore the officer wasn't legally required to search him.

Mr. Hull is appealing that decision.

—Associated Press

CULTURE

New Exhibit Puts Spotlight on 1917

A newly opened New York City exhibit examines three momentous events of 100 years ago that still reverberate throughout the world today.

The exhibit called "1917: How One Year Changed the World" at the American Jewish Historical Society looks at the Bolshevik Revolution in Russia, the U.S. entry into World War I and the Balfour Declaration that eventually led to the creation of the state of Israel.

The exhibit includes artifacts such as two original drafts of the Balfour Declaration and a copy of the Treaty of Versailles that ended World War I.

The show is at the historical society on West 16th Street in Manhattan through Dec. 29.

—Associated Press

Buildings Get Buzz by Becoming Backdrops

By KEIKO MORRIS

Call it creative real estate. Skylight Studios has built a business finding distinctive but underused buildings in New York to serve as the backdrop for shows and marketing events for brands such as Nike and Ralph Lauren.

The events are fleeting—ranging from a week to a few hours—but they fuel the other part of Skylight's business: helping landlords gain exposure to their spaces.

PROPERTY

In a tough retail environment and a competitive office market, landlords are jockeying for attention. Events by high-profile companies bring influential attendees—the kinds of tastemakers, celebrities and executives who can help attract potential tenants.

The events reach other audiences through images posted on social-media platforms, trendy blogs and magazine sites such as Vogue and Architectural Digest that live on digitally long after the event ends. The creative uses of the space also help market the buildings.

"In my job marketing commercial real estate, one of the most difficult things is to get prospective tenants to visualize raw space," said Sara Fay, head of marketing for L&L Holding Co., which has worked with Skylight to bring in events at its properties. "The more material I have to show how the space can be used and how it can be activated is a home run for me."

Skylight got its start in 2004 and historically has focused on properties in transition, buildings with an interesting history or architecture often awaiting development financing or approvals to move forward.

At Iron Works on West 25th Street, where Skylight brought in a Nike event as well as other fashion presentations, building owner L&L has been in the process of allowing office leases to expire so it can open

up large blocks of space and attract higher-caliber tenants.

In the past year, Skylight has been expanding its role as a strategic adviser to building owners and developers, connecting them to partners or organizations that can bring events and help shape a building's identity, said Chief Executive Stephanie Blake.

Developer Forest City New York has tapped Skylight's experience and brand connections to make the Bridge, its commercial office building on Cornell Tech's new Roosevelt Island campus, into a destination. The first phase is set to open this week.

These days, short-term pop-up shops have grown as a way for landlords to fill empty storefronts that have proliferated in Manhattan shopping corridors as a result of skyrocketing rents and retail chains cutting back on stores.

Skylight's approach is a new version of an old concept of showcasing real estate and generating buzz with some form of entertainment, said Adelaide Polsinelli, senior managing director at Eastern Consolidated.

The buildings range from elaborately decorated spaces to cavernous industrial buildings such as the massive for-



FROM TOP: SKYLIGHT; BETTMANN ARCHIVE



The interior of 23 Wall St., top, recently was used by Nike for an event. Above, the exterior of the building in the early 20th century.

mer warehouse facility known as St. John's Terminal. The site, which is called Skylight Clarkson Sq and has served as a venue for the continuing New York Fashion Week, is slated to become a mixed-use development including office, retail and residential space.

For a Kanye West performance, Skylight was able to offer Fort Greene's Williamsburgh Savings Bank tower, a landmarked condominium building with a first-floor interior showing off numerous types of Italian marble, gold-leaf decoration and mosaics.

The company also has brought runway shows and Nike and Microsoft launches to the James A. Farley Post Office, establishing buzz around its new name, Moynihan Station.

"People buy into the idea of what was the history of this place and how can you actually make that as part of our brand message," Ms. Blake said.

The bare, raw interiors of 23 Wall St., the landmarked neoclassical former headquarters of J.P. Morgan, gave Nike the canvas it needed for its series of discussions and multimedia displays of designer Vir-

gil Abloh's reinventions of 10 of the brand's well-known styles this past week.

Nike estimated about 7,500 consumers would attend panels and events.

"We're bringing eyeballs to the property," said Jack Terzi, chief executive of JTRE Holdings, which is in contract to purchase the building.

Skylight's team has been grappling with the loss of its founder Jennifer Blumin since May, when a plane carrying her and her two young sons was lost over the Bermuda Triangle.

Ms. Blake recalled one exploratory site visit when Ms. Blumin's passion for unearthing forgotten places was on display. Ms. Blumin had crawled and climbed over beams and under ledges to emerge dust-covered but "victorious" atop a derelict roof structure. The team has been trying to honor her legacy by pushing the company's vision to the next level, Ms. Blake said.

"There's that sense of missing a friend and someone to share all the challenges and share this vision that became our vision," Ms. Blake said. "We always talked about where this vision could continue beyond buildings. Is it corridors, neighborhoods, islands, campuses, cities?"

1155

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Urban transit-hub markets have a bigger supply base than suburban ones. Above, Hoboken Terminal.

BESS ADLER FOR THE WALL STREET JOURNAL

Office Vacancies in New Jersey Transit-Hub Markets Are Up

By KEIKO MORRIS

Office buildings in New Jersey's transit-hub markets saw higher vacancies at the end of last year but fared better than those in places without easy access to mass transportation, according to an annual report from real-estate services firm JLL.

The vacancy rate for the state's transit-hub market, defined as properties close to a downtown center and near mass-transit commuting options, climbed to 19.2% at the end of last year from 16.9% at the end of 2015.

The transit-hub market's rate held up better than the 26.4% rate for the state's suburban office market located outside these clusters, the report said.

Rental rates for transit-hub properties also fetched an average price of \$32.46 a square foot, compared with \$26.02 a square foot for buildings situated in traditional suburban settings.

The increase in vacancy

near transit hubs was fueled largely by vacancies and space soon to be on the market in Jersey City, where consolidations of Deutsche Bank AG and a pharmaceutical company acquisition have added more than 400,000 square feet to the market, the report said.

19.2%

Vacancy rate in 2016 for office properties near transit centers.

The analysis described the overall increase as temporary. Companies are expected to continue to look for office space near "walkable, amenity-rich areas and with access to mass-transit options," the report said.

During the past several years, New Jersey's wider office market has been weighed down by vacancies at older,

suburban office campuses.

Within the state's transit-hub market, the suburban and urban hubs went in different directions. The vacancy rate for smaller suburban hubs such as Metropark, Morristown, Princeton and Summit declined to 16.8% in 2016 from 17.5% in 2015.

The urban hubs, which have a much larger supply base and include Hoboken, Jersey City, New Brunswick, Newark and Trenton, experienced an increase, with the vacancy rate rising to 20% from 16.7%.

Developers are looking to assemble sites to build bigger office facilities in suburban transit hubs such as Morristown and Summit, where the office space is limited and geared toward smaller tenants, said Dan Loughlin, international director and broker lead of JLL's New Jersey office.

"Everybody's trying to go back into these markets to try to capture the mass transit, amenities and urban settings, and this product doesn't exist in abundance," he said.

LIFE & ARTS

DOCUMENTARY

Ken Burns Takes On Vietnam



A soldier of the 25th Infantry Division, around 1969, from the 'The Vietnam War.'

BY JOHN JURGENSEN

KEN BURNS doesn't like the expression "Thank you for your service." Though it has become a default way to pay respect to military veterans, too often the phrase functions as a brushoff, the filmmaker says. "It suggests no further conversation is necessary."

With marathon documentaries about the Civil War, World War II and now the Vietnam War, Mr. Burns and his producing team have conducted a running inquiry into the personal experiences of combat troops.

The scale of "The Vietnam War"—a 10-part, 18-hour series that took 10 years to produce—reflects the complicated nature of the conflict. It claimed the lives of more than 58,000 U.S. service members, scarred veterans returning to a hostile home front, and continues to divide Americans who lived through it. The series debuts Sept. 17 on PBS.

'When I saw those old [Vietnamese] men, I didn't have the hate getting in the way of accepting their humanity.'

Mr. Burns and co-director Lynn Novick doubled down on a strategy refined in their previous work. Whether it's an actor reading a letter by a Union soldier at Gettysburg, or an interview with an aging survivor of the D-Day invasion, participants hold the spotlight, not historians.

"That plows attention not to the 'expert' but to the real expert—the person who experienced it," Mr. Burns says. For Vietnam, that chorus of voices, including veterans of the protest movement, helps "create a place where diverse perspectives can co-exist without making the other wrong."

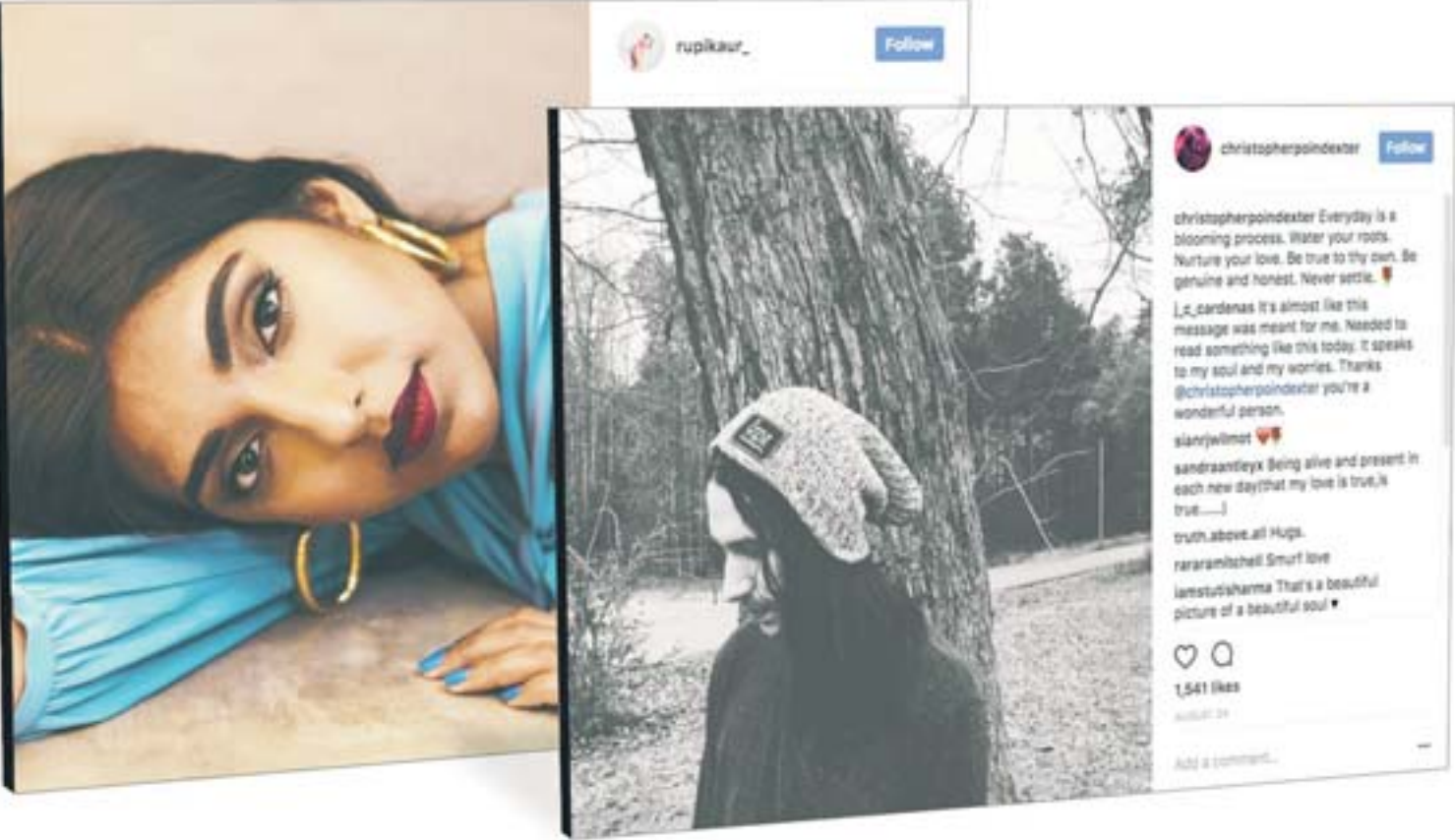
In addition to reams of letters, government documents and journalists' reports from Vietnam, the producers drew from on-camera interviews with about 100 combat veterans and other witnesses—including former South Vietnamese allies and North Vietnamese enemies of U.S. troops.

The processes of gathering research and identifying on-camera interviewees evolved in tandem, Ms. Novick says. Producers took notes during phone calls and informal meetings with Vietnam veterans, who in turn introduced them to other veterans.

"Each person's story helps us add a little bit of the puzzle," says Ms. Novick, who went through a similar process with

Please see VIETNAM page A13

CHARLES O. HAUGHEY



POETRY

My Love Is Like a Hashtag: 'Instagram Poets' Sell Well

BY NINA SOVICH

AMONG THE HOT new books of the fall season is a volume of poetry that might once have been relegated to the back of the bookstore. Rupī Kaur, a Canadian woman born in India is putting out her second book Oct. 3. The reason for the excitement? She has 1.5 million followers on Instagram.

Ms. Kaur sits atop a new wave in poetry. These Instagram poets, or pop poets as some writers call them, use social media to build their fan base for work that touches on love and loss. "The Sun and Her Flowers," to be released in October, has an initial print run of a million books, an astonishing run for poetry. Fiction writers are lucky to have an initial print run of 10,000 books. Ms. Kaur's first book, "Milk and Honey," published in 2015 by Andrews McMeel, has sold more than a million copies in the U.S. and 700,000 abroad.

"For me, social media was the only way to go," says Ms. Kaur. She began publishing poems on Tumblr and Instagram and found an audience both devoted and demanding. In 2013 she was posting a poem or two a week, spending two to four hours a day refining them. "It gets difficult to manage at a certain point," she says of social media. Roughly two years ago she stopped posting new poetry to Instagram. Sometimes when her feed needs updating she will ask her sister or an employee to help with the technicalities so she can concentrate on writing.

To poetry traditionalists, these new poets seem to draw attention to photographs and illustrations rather than verse. Instagram poets use typewriters with thick linen paper and tattered edges, then photograph the work and post it to social media. Bad breakups, whiskey in the desert and exhortations to find inner strength are common.

"Think of Walt Whitman," says Lizzie Carroll, 21, and a student at California State University, Sacramento, who has blogged about her appreciation for Ms. Kaur. "You have to sit down and study it. With Kaur you can take any poem and read one line and know what it means."



BUILDING FAN BASES: Instagram posts from Rupī Kaur, top left, and Christopher Poindexter, top right. Ms. Kaur's feed includes her poems. The poet Atticus includes photos of fans who tattoo on his verse.

"Rupi is real and honest," says Harley Henderson, 21 and a student at the **University of West Florida** in Pensacola. "She can relate to people and their problems."

Atticus is a poet who doesn't reveal his identity or show his face, but has roughly 440,000 followers on Instagram. His book, "Love Her Wild," was released in July by Atria Books, an imprint of Simon & Schuster. It has nearly 100,000 copies in print. He says he receives several photos a day from people who have tattoos of his poetry.

"I wear a mask so I write what I feel and not what I should feel," he said, in a phone interview. He declined to give his real name.

The challenge for publishers is to separate good poets from bad, and to confirm the fan base is stable and inclined to buy books.

"You have to look at all the comments to

see, is there really a connection?" says Judith Curr, president and publisher of Atria Books, describing the process of bringing on a new author. "Are they responding to the poetry or the fame of the person?"

Editors at the publishing house keep an eye on Instagram. If a writer has a growing following, with comments that speak to the work, the publishing house will occasionally contact a writer directly to see if he or she is interested in doing a book. Booksellers are often reassured by a poetry book with an online following because it suggests committed buyers, publishers say.

"It's good for all poets that the poetry section of the bookstore is suddenly the sexy section," says Kirsty Melville, president and publisher of Andrews McMeel.

Poet Thom Young bristles at the popularity of the Instagram poets, publishing satirical verse on the web to prove his point. "Love made/ her wild," Mr. Young wrote and posted in typewriter font just like the Instagram poets this past June. Even the Instagram poets acknowledge the medium is both a blessing and a curse. On one hand, they reach far more people than traditional poets. On the other, Instagram restricts form and length. There also is pressure to constantly feed the beast.

Christopher Poindexter is a 26-year-old poet with roughly 320,000 followers on Instagram. His book, "Lavender," came out in February and will be rereleased in September. When he started, he posted one or two poems a day. Now, he still posts three to six times a day but he leans more toward photos or written descriptions of his life rather than poetry. The demands of Instagram can be draining, he says, and he is thinking of hiring someone part time to help with his feed. "I stepped away a little because of the intensity," says Mr. Poindexter. "I know what people want, and I know what I want to write."

"It's not the poetry I would present to an academic scholar," he says. "But it's getting children back into poetry. It's getting them in Kerouac and Rimbaud and Ginsberg and Cummings."

RUPIKAUR.; CHRISTOPHERPOINDEXTER; ATTICUSPOETRY;

ART REVIEW

WHEN CHINESE LANDSCAPE CAME INTO ITS OWN

BY MELIK KAYLAN

New York

THROUGHOUT THE PAST CENTURY, as parts of the globe erupted in chaos, American institutions helped save humankind's common heritage. They systematically acquired cultural treasures endangered in their own countries—doing so in coherent genres and thereby preserving entire traditions of art. A luminous instance of just such an achievement is the Metropolitan Museum's historic collection of Chinese landscapes, considered to be one of the greatest world-wide. Often kept from the hands of Maoist mobs, these objects could tell adventure stories of brave individuals who smuggled them out to the West over the decades. The museum's exhibition

"Streams and Mountains Without End: Landscape Traditions of China" tells us another story just as crucial: that of the transcendent beauty of the 1,000-year-old living art form so worth saving. And not least for the Chinese themselves—on the day of my visit tourists from China packed the galleries, as they do much of the time.

The curator, Joseph Scheier-Dolberg, says he organized the show along thematic rather than chronological lines to educate the viewer in the genre's traditions and experiments, its evolution over the centuries, its symbols and inside jokes—in short, to teach us how to understand more deeply what we are viewing. He divided the whole into nine sections, with rooms dedicated to "Streams and Mountains," "Magical Landscapes," "Landscape of Reclusion," "Riverscape" and

Please see ART page A13



'The Four Seasons' (15th century) by an unknown Ming dynasty artist.

THE METROPOLITAN MUSEUM OF ART

LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

A Regimen to Stay Undefeated

Having put off a finance career for fighting, light heavyweight boxer Mike Lee explains how recovery is as important as training

MIKE LEE knows you need more than strength to prevail in the ring. Boxing also takes brains. At 16, Mr. Lee balanced time practicing the sweet science with a job as a runner on the commodities floor at the Chicago Board of Trade. He competed as an amateur boxer throughout college. After graduating with a finance degree from the **University of Notre Dame's Mendoza College of Business** in 2010, he decided to postpone a career in finance to pursue pugilism. "In my early days, I felt immortal," says Mr. Lee, who is now 30. "Then my body started to show signs that I wasn't invincible." A succession of injuries kept him out of the ring for nearly two years. He broke his hand in the third round of his first fight at New York's Madison Square Garden in 2011 and continued fighting until he won by knockout. "I probably should have stopped, but when you're in front of a crowd like that, you don't feel the pain," he says.

He then struggled with jaw and back injuries. He wondered if his body was telling him it was time to hang up his gloves. Mr. Lee began working with a nutritionist and started to take recovery, like ice therapy, yoga and massage work, just as seriously as training. He also enlisted a sports psychologist who taught him visualization techniques. "I visualize every fight," he says. "The smells, the colors, my opponent's moves, my response." Now he says he's the strongest, fastest and smartest he's been in his boxing career. Ranked 12th in the **World Boxing Association's** light heavyweight division, he's shooting to put his perfect 19-0 record on the line with a Sept. 15 bout against Aaron Quattrocchi in Rosemont, Ill.

The Workout Mr. Lee spars Mondays, Wednesdays and Fridays at Wild Card West Boxing Club in Santa Monica, Calif. Leading up to fights, he tries to spar with someone who can mimic his opponent's fighting style. In a real fight, each round lasts three minutes, with one minute of rest between rounds. In training, he cuts the rest to 30 seconds. "The idea is to push yourself so hard in training that fight night becomes easy," he says. Tuesdays, Thursdays and Saturdays he focuses on pad work, heavy bags and film study. A second evening workout is dedicated to strength and conditioning. He runs or swims for cardio.



Boxer Mike Lee, right, spars three times a week with his trainer, Jamal Abdullah, in Santa Monica, Calif., above, wraps his hands, far left, and performs a workout for his abs, left.



Mr. Lee was dubious about the benefits of yoga before he started practicing five years ago. "My joints felt so loose after my first class," he says. "I realized I had been totally ignorant about its benefits." He tries to go to a hot yoga class at Core Power at least once a week. Sundays are a rest day.

The Diet The first time Mr. Lee fought on ESPN, he had to lose 7 pounds in one day to make his agreed weight for the fight—an amount considered unhealthy for normal people, but not unusual for boxers pre-fight. "It was mostly water weight, but it was still difficult and not

something I ever want to have to do again," he says. His team now has his nutrition down to a science so that he can weigh in at 175 pounds and go into the ring around 187 pounds. "A lot of the secret is water-weight manipulation," he says. He works with a nutritionist and has microwavable meals shipped to him each week. Mr. Lee is hypoglycemic, but says eating small meals throughout the day helps stabilize his blood sugar. He eats a largely plant-based diet with moderate amounts of lean protein. Breakfast might be quinoa with kale and bison or egg whites with glu-

ten-free toast and avocado. "I could eat Mexican food three meals a day," he jokes, "but I try to limit it to one." Chicken tacos topped with black beans and rice in corn tortillas are a typical lunch. Dinner might be grilled salmon and a salad.

The Gear "I love Under Armour and they send me a lot of gear," he says. He has custom-made Reebok boxing shoes and likes Nike and Under Armour sneakers for running. He's worn Grant gloves his entire boxing career. He's become a Lululemon convert. "My sister taught yoga and introduced me to the brand," he says. "They make some of the most comfortable workout clothing."

The Playlist "I don't like the stereotypical hard-core rock or rap that you hear in a lot of boxing films," he says. "I like music that makes me want to dance and have a good time, rather than knock someone's head off. Tunes from Stevie Wonder, Bruno Mars and Earth, Wind & Fire are what I typically work out to."

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LIFE & ARTS



VIETNAM

Continued from page A11
World War II veterans for “The War,” a 2007 seven-part series she directed with Mr. Burns.

To get a handle on Vietnam’s different phases and jungle warfare, producers asked vets many of the same questions: What was it like at night? How close were you to the enemy? How did you operate in a civilian area and deal with people you couldn’t identify as soldiers?

Emotional details were a critical part of veterans’ memories. “More telling was the depth of feeling about their experiences and how close to the surface it was,” says Ms. Novick, who conducted many of the interviews, as did producer Sarah Botstein.

Marine veteran John Musgrave met the producers through the artistic director of Theater of War Productions, a drama company that has staged readings of Sophocles for military communities in the U.S. and Europe. Mr. Musgrave, who writes poetry and works with fellow veterans on issues such as post-traumatic stress disorder, says he first thought his role in the documentary would be connecting the filmmakers with other Vietnam vets.

By the time he sat down for his own on-camera interview—with his wife Shannon in the room for support—Mr. Musgrave says he trusted the producers based on their past war documentaries and the rapport they had fostered with him.

“They weren’t looking for a particular answer. They cared about the

Images of the military, above, and civilians, right, from ‘The Vietnam War,’ a documentary directed by Ken Burns and Lynn Novick, below. In another photograph from the documentary, President Lyndon Johnson, below far right, met in April 1968 with General William Westmoreland.



answer that I had,” Mr. Musgrave says. Often that was as simple as giving him ample time to finish his sentences. In the documentary, he recalls enlisting in the Marines at age 17 in an effort to jump-start his manhood. One year later, in 1967, his unit had pushed to the border of North Vietnam and the demilitarized zone, which the infantrymen dubbed the “dead marine zone.”

On camera, Mr. Musgrave occasionally moves his mouth silently, as if weighing whether to share his



memories. “We did not torture prisoners and we did not mutilate ‘em,” he says in the documentary. But if a prisoner “fell into our hands, he was just one sorry f—er. I don’t know how to explain it that it would make sense.”

Just as Mr. Musgrave says he was on guard to avoid “false heroics” in his interview, Mr. Burns says his team tries to protect such war stories throughout the editing process from “the inclinations of our business, which is to glorify

the scoop or wring out more emotion than is necessary.”

Vietnamese veterans of the war, some wearing their old military uniforms, addressed similar questions to the American vets. During their interviews, a Vietnamese-speaking producer in a separate room interpreted the responses simultaneously, speaking through an earpiece to Ms. Novick or Ms. Botstein to avoid lags in the conversation. In the documentary, one North Vietnamese officer recalls

not being able to sleep or eat after losing the majority of his men in a battle for which he earned a “Heroic American Killer” medal.

“It’s as painful for [the Vietnamese] to talk about as it is for American veterans. They felt really strongly that the world should know that,” Ms. Novick says.

Mr. Musgrave, who saw portions of the series before it was finalized, says watching North Vietnamese soldiers tell their stories was “essential” for the film’s balance and his own mindset. “It helped me to see that they were old men, because in my dreams they’re still young men and they still terrify me,” he says. “When I saw those old men talking about their war, I didn’t have the hate getting in the way of accepting their humanity and realizing that our experiences were the same.”

Mr. Burns, who is 64 years old—and at 18 had a high draft number when the U.S. was drawing down troops in Vietnam—isn’t finished with examining the soldier’s experience. He already is working on a project to strip the “barnacles of sentimentality” from the American Revolutionary War.

ART

Continued from page A11

the like. The objects in the show will change and rotate periodically, but at the outset it features 40 paintings and numerous objects, such as sculptures, textiles, ceramics and woodblock prints, largely from the Met’s collection plus some on private loan. Outside the first room, “Majestic Landscape,” we see a claim by an early intellectual of the genre that artists can now reproduce nature so precisely that you need not leave your house. This inscription, from the end of the first millennium, introduces the birth of realism and, roughly speaking, the landscape tradition’s genesis as a recognized practice.

Inside we first see two handscrolls from the Ming period (most of the show’s paintings are on scrolls). One, by an unknown 15th-century painter, depicts the four seasons horizontally from right to left on silk, and immediately we are immersed in the exquisite visual language of mists and mountains and bodies of water with all the ethereal sensitivity of a refined eye divining nature’s forces. The other, a vertical scroll by the renowned 16th-century landscapist Wen Boren, illustrates a contrasting principle, that of the scholar-artist-poet using nature as a vehicle to reflect internal states, an early kind of expressionism. Here the brushstrokes—the ink’s texture even—become the painter’s object of focus, with close reference to artists of past centuries whose works he owned.

This polarity of the realist and the expressionist runs broadly through the genre and the show itself. Hence in the next section, dedicated to “Poetic Landscape,” we see a haunting depiction of a tree-form by Tang Di from 1323 of the Yuan (Mongol) dynasty, one dedicated to a poem from the eighth century. Nearby a landscape by Sima Huai, also Yuan era, rendered in gossamer minimalism floating in white space, refers to two lines from a different poet. Both artists practiced at a time when Chinese gentry-intellectuals alienated from Mongol rule sought refuge in the



Tang Di’s ‘Landscape After a Poem by Wang Wei’ (1323)

literati life far from court, consoled in exile by their predecessors and the melancholy mood-echoes in nature. The predicament recurred down the centuries through the Ming and Manchu dynasties and sustained the tradition even into Maoist-era exile abroad.

Chief among the show’s delights are horizontal scrolls so long that a room-length display case doesn’t quite suffice. One such is from 1770, a Tintin-like visual chronicle of the emperor visiting river communities, inspecting infrastructure. At one end he is depicted standing on a dam apparently quizzing local officials, while at the other the locals sweep the streets in readiness, because he hasn’t arrived there yet. A recent acquisition, a long scroll from 2016 by the living artist Hao Liang, is an absolute masterpiece, worthy of its place in a show full of immortals. The scroll tracks from right to left, in the styles of landscapes from the eighth century (that of obscure Taoist monks) to today, gradually gaining color as in a movie. The present features a Ferris wheel whose pods have detached, and we suddenly notice that they’ve appeared in past scenes. Landscape art, once the purview of emperor and aristocrat, is now available to all.

The curator brings us up to date with a smallish “Landscape of Abstraction” room where we see how modernist and contemporary Chinese artists have innovated with geometric, minimalist and spatter techniques. But perhaps the most poignant comes near the end, a radiant cubist-inspired celestial landscape from 1986 by renowned collector C.C. Wang, the last of the old literati. He salvaged so many ancient masterpieces under the Communist Revolution’s shadow, ultimately settling in New York and bringing them to the Met.

Streams and Mountains Without End: Landscape Traditions of China

The Met Fifth Avenue, through Jan. 6, 2019

Mr. Kaylan writes about culture and the arts for the Journal.

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SPORTS

NFL

Texans Make Quick Move To Watson

BY ANDREW BEATON

It didn't take long for the Houston Texans to scrap their plans at quarterback—and that meant turning to the man they hope is their quarterback of the future: Deshaun Watson.

In Sunday's season-opening 29-7 loss to the Jacksonville Jaguars, Houston coach Bill O'Brien sent Tom Savage to the bench after a woeful first half.

Then Watson came in and immediately eclipsed the Texans' first-half production. Which wasn't especially hard since Houston didn't get on the board in the first 30 minutes.

Watson immediately took the offense on a touchdown drive in his first series. That was Houston's only score of the afternoon, but it was a glimpse of potential after a first half that went as poorly as possible for a team that made the playoffs a year ago and was playing a team that went 3-13 in 2016.

In that first half, Savage was mauled by the Jacksonville defense, completing 7 of 13 passes for 62 yards. More notable were the times he didn't pass at all: He was sacked six times and lost two fumbles.

Aside from the touchdown, though, Watson's day wasn't much better. He finished 12 for 23 for 102 yards with two turnovers of his own, an interception and fumble. Still, it was a first look at a player the Texans think can be their long-awaited answer at quarterback.

Houston traded up to select Watson at No. 12 in the draft after he led Clemson to last season's national championship. Watson's productivity and mobility were obvious in the college game, but he didn't go even higher because of questions about how those skills would translate to the NFL.

This uncertainty at quarterback isn't anything new in Houston.

Before last season, the Texans paid big money to sign Brock Osweiler, thinking he was the answer. In Week 15 against the Jaguars, Osweiler was sent to the bench—for Savage.



ERIC CHRISTIAN SMITH/ASSOCIATED PRESS



JULIO CORTEZ/ASSOCIATED PRESS

Rafael Nadal beat Kevin Anderson 6-3, 6-3, 6-4 in the U.S. Open men's final on Sunday. The victory was Nadal's 16th career Grand Slam title.

U.S. OPEN | By Jason Gay

Nadal Is Untouchable

New York Nobody was going to beat Rafael Nadal at the U.S. Open this year. Let's be real, folks.

It may not have felt certain going in, but it felt so by the middle of last week, when Nadal's famed rival, Roger Federer, got whopped out of the quarterfinals by Juan Martin del Potro, wrecking another chance for a Nadal vs. Federer match to happen in Queens. (Foiled six times, Rafa vs. Roger at the U.S. Open is truly Charlie Brown kicking the football of men's tennis.) Afterward, an exhausted Federer admitted he was in no position to win the tournament, considering the way he was playing—and especially the way Nadal was playing.

"It's better I'm out, and somebody else gets a chance to do better than me," Federer said dejectedly.

He may as well have just said it: This thing is Rafa's to lose.

Nadal never plays with that mentality, of course, and it's one of the characteristics that makes him, at 31, a champion for the ages. After winning the Open men's singles title Sunday, the Spaniard has 16 Grand Slams and an airtight case as one of tennis's all-time greatest, but he never flirts with presumption—or anything less than total, near-maniacal focus.

You could see it Sunday, when Nadal rushed onto the court for

his final against South African tall person Kevin Anderson. Nadal was the comically prohibitive favorite—the 6-foot-8 Anderson had never sniffed a Slam final, and had never beaten Nadal in his pro life—and yet Nadal, per usual, was a hot pink tornado of nerves and tics. It was as if Anderson was the legend here—and Nadal was the Slam rookie, given zero chance to prevail.

I adore this part of Nadal. Fans love to rave about his physicality: his powerful, swooping groundstrokes, especially that lasso-like forehand, and his grunting all-court coverage (every swing, Nadal makes a noise like he's lifting a Steinway up a stairwell.) As he's gotten older, and his body has occasionally let him down, it's his intensity that impresses me the most. Physically, Nadal is different than anyone who's ever played the game. But he's a giant because mentally, he's relentless.

Nadal handled Anderson the way he pretty much handled everyone during this tournament: respectfully, but mercilessly. Anderson, 31, played the best tennis of his career to reach the final, and though his height and powerful serve forced Nadal to make adjustments on his return—Nadal parked himself so far behind the baseline, he was basically in Connecticut—it seemed like only a matter of time before a break happened, and Rafa began rolling. The break happened at 3-3 in the first set, and though

Nadal would never say "that was that," I will: that was that.

Nadal rolled, 6-3, 6-3, 6-4. When it was over, he once more raised those muscular arms in triumph.

"It's just unbelievable what happened this year," a happy Nadal said at the trophy ceremony.

It really is. How crazy is it that the 2017 Slam season is now in the books, and it's an even split between Rafa and Roger? From Australia on, where they tangled magnificently for five sets in the final, the whole year felt like tennis's Turn Back the Clock Geezer Spectacular. These are two titans who, when they met up last autumn for the opening of Nadal's academy in Mallorca, were both too creaky and banged up to even play an exhibition. A year later, they've each added two more Slams—Nadal here and at the French, Federer in Melbourne and Wimbledon.

As sports revivals go, it was joyfully familiar and a little absurd. Who saw it coming? Not me. At all.

The struggles, upsets and absences made way for a welcome rush of fresh blood this weekend: Anderson and Pablo Carreno Busta in the men's semis (not to mention a rejuvenated Del Potro, with his best run here since winning it in 2009), and on the women's side, an All-American semifinals with Sloane Stephens, CoCo Vandeweghe, Madison Keys and Venus Williams.

I don't think it was an "off year" at the Open at all. Especially for the women, where the unseeded Stephens's victory over Keys on Saturday gave her a first Slam, \$3.7 million and a reason to be bullish about a post-Serena next generation. Stephens's re-emergence this summer was remarkable—coming back from winter foot surgery, she was ranked 957th in the world in July. Asked if she was hungry to win another Slam, Stephens's response was priceless: "Did you see that check that lady handed me?"

Nadal's already made multiples of that—close to \$90 million over his career. He's now captured this tournament three times, and, along with one in Oz, two at Wimbledon, and his astonishing ten-pack at Roland Garros, he's just three back of Federer's 19—and five years younger.

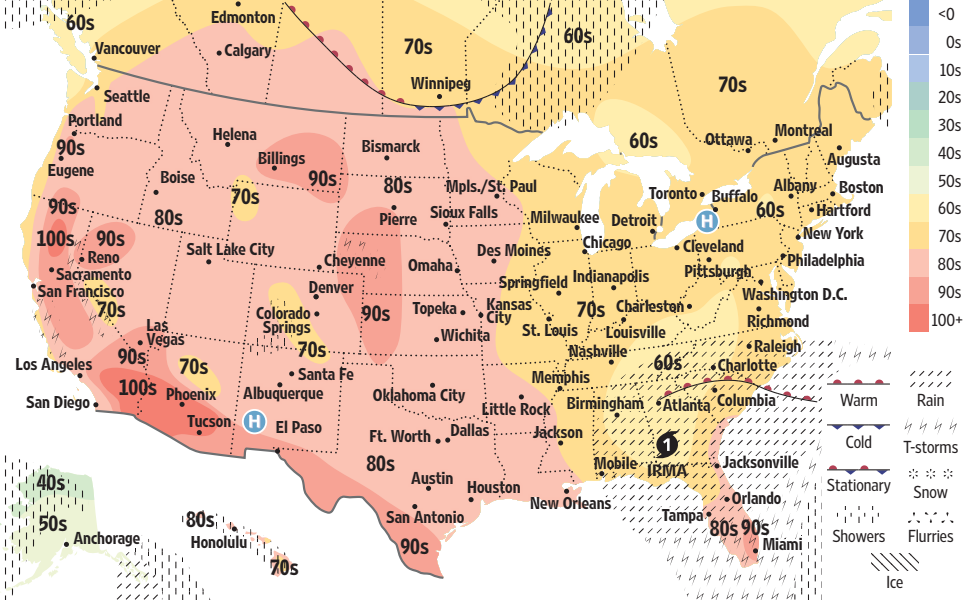
After loudly and very wrongly predicting a Nadal-Federer semi, I should be banned from making tennis predictions, but barring an injury crisis, it's hard to imagine Nadal not adding to his current Slam total. This was Nadal's last Slam run with his uncle Toni, his coach and lifelong mentor, who plans to step down at year's end. Still, who thinks Nadal won't at least add a few more big ones, especially at the French?

I really need to stop making predictions. But I saw enough in New York these two weeks. I'll never bet against Rafael Nadal.

Weather

AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...tstorms; r...rain; sf...snow flurries; sn...snow; l...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	57	48	c	57	51	c
Atlanta	65	60	r	69	58	r
Austin	88	59	s	93	62	s
Baltimore	74	57	s	72	61	c
Boise	89	62	pc	91	63	s
Boston	78	60	s	82	61	s
Burlington	75	51	s	78	55	s
Charlotte	67	62	r	76	60	r
Chicago	75	57	s	77	60	s
Cleveland	76	56	s	76	61	pc
Dallas	86	63	s	88	68	s
Denver	86	60	pc	88	61	pc
Detroit	75	54	s	76	59	s
Honolulu	86	72	pc	87	74	r
Houston	86	62	s	88	67	s
Indianapolis	76	59	s	73	61	r
Kansas City	80	54	s	81	56	s
Las Vegas	98	78	pc	99	76	s
Little Rock	80	61	s	69	60	r
Los Angeles	88	69	pc	83	66	pc
Miami	91	78	c	92	75	pc
Minneapolis	72	53	s	74	60	pc
Nashville	83	61	pc	84	61	pc
New Orleans	70	59	c	67	58	r
New York City	84	64	s	83	65	s
Oklahoma City	76	62	s	80	62	pc
Phoenix	83	57	s	82	59	s

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Omaha	85	61	s	87	60	s
Orlando	81	72	r	88	70	pc
Philadelphia	78	58	s	80	63	pc
Phoenix	107	84	s	107	83	s
Pittsburgh	73	56	s	72	59	pc
Portland, Maine	79	52	s	80	54	s
Portland, Ore.	88	58	pc	80	54	s
Sacramento	95	65	pc	89	63	pc
St. Louis	79	59	s	76	62	r
Salt Lake City	88	66	pc	90	66	s
San Francisco	82	64	pc	78	64	pc
San Jose	84	54	pc	84	53	c
Seattle	78	58	pc	74	57	s
Sioux Falls	84	59	s	85	60	s
Wash., D.C.	76	62	s	73	66	c

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	65	53	pc	63	52	pc
Geneva	63	50	pc	62	48	sh
Havana	89	72	t	88	73	t
Hong Kong	91	82	t	92	80	sh
Istanbul	85	72	s	85	71	s
Jakarta	92	77	t	92	76	pc
Jerusalem	90	68	s	91	67	s
Johannesburg	86	59	pc	85	54	pc
London	65	50	sh	65	55	t
Madrid	86	57	s	82	58	s
Manila	90	78	t	85	79	t
Melbourne	66	52	c	66	51	r
Mexico City	71	47	pc	73	54	pc
Milan	79	60	pc	80	54	pc
Moscow	71	60	pc	75	59	c
Mumbai	92	83	sh	92	82	sh
Paris	64	51	t	66	55	pc
Rio de Janeiro	86	68	s	85	68	s
Riyadh	107	77	s	106	78	s
Rome	72	60	t	76	59	s
San Juan	90	77	sh	89	78	sh
Seoul	77	65	r	81	61	s
Shanghai	84	73	t	83	72	s
Singapore	87	80	t	88	79	t
Sydney	74	57	pc	84	66	c
Taipei	95	78	pc	92	78	s
Tokyo	84	76	pc	83	73	sh
Toronto	71	50	s	75	52	s
Vancouver	72	57	s	69	52	pc
Warsaw	73	55	t	62	52	r
Zurich	61	49	sh	60	47	sh

The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4	5	6	7	8	9	10	11	12	13
14				15					16			
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51	52				53			54		55	56	57
58					59			60				
61					62				63			
64					65					66		

IT'S ABOUT TIME! | By Julian Thorne

Across	23 They're outstanding	45 In the family
1 Cheese in a red coat	47 Brings together	
5 "Give me ____" ("Call me")	25 Fiction's counterpart	48 Fix sloppy sentences
10 Like bulls and boars	26 Social environment	49 Demonstrates flexibility
14 Sumptuous	29 Quantity of tourists or schoolchildren	51 *Medulla oblongata's place
15 Mount Everest is on its northern border	32 *Cirrus cloud component	54 Scarlett Butler's maiden name
16 Jumbo-screen film format	35 End for luncheon or kitchen	58 Company emblem
17 *Basic emoji	36 Stable oldster	59 Guiding principles, and the ends of the starred answers
19 Philosopher Descartes	37 Eggs Benedict ingredient	61 Up to the task
20 English town noted for its salts	38 Soil breaker	62 Bygone anesthetic
21 *The devil's workshop, so they say	39 General Bradley	63 High point
	41 *Group of amateur rockers	

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

64 Take note of	28 Astute attorney
65 Zaps, in a way	29 Home of the Crimstone Tide, familiarly
66 Lip	30 Make reparation
Down	31 There are 28 in a Monopoly set
1 Otherwise	33 Atlantic catch
2 Send a Dear John letter to, e.g.	34 Goey stuff
3 Graph line	40 Contacted the Coast Guard, in a way
4 Pleasant to listen to	41 Is caught in a downpour, e.g.
5 No matter which	42 Colt creation
6 Modernize, as a ship	43 Supply with financing
7 Popular tablets	44 Diagonal movers
8 Chemist's salt	46 Malleable metal
9 Merry	49 Letters after alephs
10 Canonization requirement	50 Host at a roast
11 "Absolutely!"	51 Unexciting
12 Touch down	52 Choir costume
13 Old flames	53 "Toodle-oo!"
18 Mideast chieftain	55 Neighborhood
22 Bears	56 Nutritional amts.
24 Broker's advice	57 Sets the price at
26 Unimportant	60 Day divs.
27 Start of a Caesar boast	

Previous Puzzle's Solution

AT	AL	LO	S	S	AG	A	T	E	S
F	I	N	A	N	C	E	S	E	R
R	E	D	B	E	R	E	T	S	I
O	U	R	A	U	D	O	B	N	W
S	P	E	C	I	E	L	M	D	B
S	W	A	T	E	L	M	S	E	T
P	R	O	S	E	S	S	C	R	E
P	E	R	F	E	C	T	S	Q	U
E	X	E	U	N	T	D	E	L	F
S	P	I	L	L	T	Y	E	N	F
H	E	N	S	H	E	A	L	T	H
A	D	D	M	I	S	D	I	A	L
W	I	E	N	E	R	O	N	S	A
A	T	E	A	S	E	N	E	T	A
R	E	R	E	A	D	L	E	N	D

The contest answer is ALGEBRA. The center Across answers PERFECT/SQUARES suggest looking at the boxes that contain numbers that are perfect squares (1, 4, 9, 16, 25, 36 and 49). The letters in those boxes spell the contest answer.

OPINION

A Costly Vacancy at State



AMERICAS
By Mary
Anastasia
O'Grady

Venezuelan dictator Nicolás Maduro announced in May that he planned to draft a new constitution and shut down the opposition-controlled National Assembly. His opponents in Washington and South Florida lobbied the Trump administration to pressure the regime to withdraw its proposal by banning Venezuelan oil imports.

The White House instead issued sanctions against 13 high-ranking regime officials in the last week of July. On July 30 Maduro went ahead with the rigged elections for his hand-picked “constituent assembly,” and then closed down the legitimate legislature de facto, thereby putting the finishing touches on his Castro-style one-party state.

American hawks and Venezuelan expats say that the outcome would have been different if the Trump administration had leaned harder on the regime. And that the White House would have done so if not for the influence of the State Department’s under secretary of state for political affairs, Thomas Shannon Jr., a career diplomat they accuse of being soft on Caracas.

This narrative is unfortunate, and not only because it may be unfair to Mr. Shannon. It is far from certain how the regime would have responded to an oil-import ban. Some pro-democracy advocates in

Venezuela warned that it would starve the nation. More important, the blame-Shannon line ignores Mr. Trump’s obligation to exercise leadership consistent with the promises he made as a candidate.

Nearly eight months past Mr. Trump’s inauguration, there is no assistant secretary for the Western hemisphere. Secretary of State Rex Tillerson is said to rely heavily on Mr. Shannon’s regional expertise. A career civil servant, Mr. Shannon often was called on to execute President Obama’s “engagement” strategy toward thuggish regimes. Absent new direction from the top, it is no surprise that he and his cohorts at State still defend the Obama policies that Mr. Trump promised to reverse.

Those policies fed chaos in Latin America. Venezuela is now a province of Cuba and a strategic ally of Russia. Iran has built networks throughout the region. The Revolutionary Armed Forces of Colombia—a drug-trafficking terrorist group and Cuban partner—has been legalized.

Mr. Shannon has a record as an able diplomat. In June 2015, in the role of State Department “counselor,” he met in Haiti with the then-president of the Venezuelan National Assembly, Diosdado Cabello, a Maduro ally. At the time Mr. Cabello was being investigated by the Justice Department for cocaine smuggling.

At his October 2015 nomination hearing for his present job, Mr. Shannon defended

that meeting. He said it was an effort to get a commitment from the Maduro regime to hold legislative elections that year and to “save the life of Leopoldo López, who at the time was in the fourth week of hunger strike.” Mr. Shannon prevailed on both counts: The government set a Dec. 6 date for the elections and Mr. López ended his strike. The opposition won a majority in those elections.

In Venezuela and elsewhere, Trump’s diplomatic agenda is suffering.

Nevertheless Mr. Shannon’s detractors cite photos from Port-au-Prince of him grinning alongside Mr. Cabello and Venezuelan Foreign Minister Delcy Rodríguez. Those pictures went viral and, for beleaguered Venezuelans, lent legitimacy to their tormentors.

Suspicion about Mr. Shannon was reinforced in 2016 when he traveled more than once to Caracas to “dialogue” with the dictatorship about the right of Venezuelans to hold a constitutionally mandated presidential recall referendum. Maduro used those talks to stall and consolidate power. The vote was never held.

There is no evidence that Mr. Shannon, who was once George W. Bush’s lead for Latin America on the National Security Council, harbors

sympathy for *chavismo*. Rather, he seems to suffer from too much faith in diplomacy as a cure for evil.

It is a common State Department malady, which becomes more pronounced with diplomatic victories—and Mr. Shannon has had his share. In the 2009 political crisis in Honduras he got deposed president Manuel Zelaya, a Chávez ally, to agree to respect the forthcoming presidential election. As U.S. ambassador to Brazil in 2010 he warned attorney general Eric Holder about rampant corruption in “all three branches of government” in Brasília. He turned out to be spot on.

Yet having implemented Mr. Obama’s policies—perhaps too enthusiastically—Mr. Shannon may be having trouble adapting to the priorities of the new administration. This goes well beyond any debate over blocking Venezuelan oil imports. State is rumored to have resisted the latest ban on Venezuela’s use of the U.S. financial system. There has been no effort to check Cuba’s role in Venezuelan repression. Little has been done about corrupt *chavista* oligarchs living in the U.S. and Europe, who facilitate transactions for regime officials living the high life in Caracas while the nation goes hungry.

The Trump administration must make a clean break with the Obama appeasement policies. That means the president needs to direct State to implement fully a new strategy that stands up to despots.

Write to O’Grady@wsj.com.

BOOKSHELF | By David Skeel

Living in the Towers’ Shadow

So Where Are We?

By Lawrence Joseph
(Farrar, Straus & Giroux, 68 pages, \$23)

Recalling the carnage of 9/11 in the title poem of his new book, Lawrence Joseph writes of “the fiery / avalanche headed right at us—falling, / flailing bodies in midair— / the neighborhood under thick gray powder.” The narrator recalls hearing someone say to a loved one, “I don’t know / where you are, / I don’t know what / I’m going to do.” Then comes the punchline: “the man who had spoken was myself.” Mr. Joseph lived, and still lives, a few blocks from Ground Zero. After “explosions so fierce you feared your eardrums punctured” and “tower fragments / the size of football fields falling in every direction”—as he puts it in another wrenching poem, “That September and October”—he and his wife were unable to reunite for more than a day. It would be six weeks before they could return to their Battery City apartment.

Mr. Joseph, who grew up in Detroit and attended college and law school at the University of Michigan, first came to

New York City in 1981 to work at the venerable law firm Shearman & Sterling. In the time since, he has published six collections of poetry. Not since Herman Melville—the subject of frequent allusion in Mr. Joseph’s work—has the financial district had so passionate and informed a literary interpreter.

The author’s poems criss-cross the streets and alleys around the Financial District, their speakers looking and listening, almost always on foot.

“Another path to the harbor,” the narrator says in “A Fable,” this book’s opening poem, moving along “Peck Slip / to Water Street to Front Street / to Pine, to Coenties Slip to Pearl / to Stone Street to Exchange Place.” Another narrator watches a woman “seated on the sidewalk at the corner / of Wall and Broad” during the Occupy Wall Street protests, “across from the illuminated / Stock Exchange, with backpack and smartphone, / mineral water, sleeping bag, bananas, figs.”

The central themes of Mr. Joseph’s earliest poems were Detroit, where his father and uncle owned a grocery-and-liquor store; Mr. Joseph’s Lebanese-Syrian heritage; his life in law; and his Catholic faith. After his move to “the city of great fame,” finance and New York entered the mix. His second collection, “Curriculum Vitae” (1988), captured the intensity and energy of Wall Street in the 1980s nearly as vividly as Oliver Stone’s “Wall Street” or Tom Wolfe’s “The Bonfire of the Vanities.” In the poem “Any and All,” a law firm associate at “No. 54 Wall Street” puts another associate on hold because the phone is ringing and the “lawyers from Mars and the bankers / from Switzerland have arrived to close the deal, / the money in their heads articulated / to the debt of the state of Bolivia.” Another poem proclaims that “the Exchange on Broad Street / and the transfer of 2,675,000,000 dollars / by tender offer are acts of the mind,” subtly reworking the modernist poet Wallace Stevens’s claims that a poem is “an act of the mind” and that money can be “a kind of poetry.”

An account, in verse, of today’s world—from 9/11 to the financial crisis and beyond—with lower Manhattan as its vantage point.

In 1997, Mr. Joseph published “Lawyerland,” a prose book consisting entirely of dialogue among lawyers working in downtown Manhattan, including Wall Street counsel, a judge and lawyers working in small New York firms. Mr. Joseph has been coy when asked whether “Lawyerland” is fiction or nonfiction, but in interviews he has said that he drew on dozens of hours of taped interviews with lawyers working downtown. “Do you think it’s true?” the narrator asks a medical-malpractice lawyer whose plaintiff claims that the doctors on the way to the operating room laughed at him, thinking he was unconscious. “How do I know if it’s true?” comes the lawyer’s response. “It’s in the affidavit. It’s what the plaintiff is going to testify to.” We listen in on a young Wall Street lawyer who reflects: “All these pools of money floating around out there—wherever ‘there’ is. All of us trying to attach ourselves to some part of them whatever way—by ourselves, with others—we can.”

The poetry world doesn’t seem to know quite what to do with Mr. Joseph. Although his poems appear in the annual “Best American Poetry” anthology and he publishes with a sought-after press, he is largely an outsider to the creative-writing departments where most American poets have taken shelter for the past generation. Mr. Joseph is a moralist, and the narrators of the poems in “So Where Are We?” lash out at the violence of the contemporary world, the brutal deaths of children in the Middle East, and the “point at which / a hundred thousand massacred / is just a detail.” But in his vision violence coexists with, and is occasionally transformed by, beauty and love.

Mr. Joseph doesn’t often turn to metaphors or similes for his effects. He relies instead on shifting scenes and perspectives to create a mosaic that melds seeming opposites—violence and transcendence, ancient and contemporary themes, the quotidian and the exalted—into poems both relevant and lasting. “The flow of data / since the attacks has surged,” he writes in “A Fable.” “Technocapital, permanently, digitally, / semiotized, virtually unlimited / in freedom and power, taking / billions of bodies on the planet / with it.” Then the register shifts. “But is there a more beautiful city,” he asks, “parts / of it, anyway?”

The title poem—one of several that deserve to enter the American canon—shifts from 9/11 to “Southwest Asian war[s]” to “asset and credit bubbles / about to burst.” The narrator is overwhelmed by “too much consciousness / of too much at once” and by “a tangle of tenses / and parallel thoughts.” After moving on to still other thoughts and images—the Treasury secretary looking out from the Federal Reserve building, a Byzantine Madonna—he concludes with an image of 9/11 whose stunned repetition quietly captures the beauty of that terrible day in lower Manhattan: “The streets, the harbor, the light, the sky. / The blue and cloudless intense and blue morning sky.”

Mr. Skeel is a law professor at the University of Pennsylvania and the author of “True Paradox: How Christianity Makes Sense of Our Complex World.”

Can New York Reinvent Itself Again?

By Andy Kessler

New York is a hell of a town, but technology is threatening its leadership in almost every category. High-speed trading and shadow banking threaten its strongholds in finance. Digital publishing and social media continue to disrupt magazines and newspapers. Streaming is upending television broadcasting, while enterprise software is displacing lawyers and accountants. New York’s public services—from schools to subways—are antiquated.

For centuries New York has evolved. With its deep port, the city dominated U.S. trade through the late 1800s. But that wasn’t enough to employ the swarms of immigrants coming through Ellis Island. So the city transformed, creating higher-paying jobs. By 1910 some 40% of all New York workers were employed in manufacturing—the garment industry, sugar refining, publishing and even bread making. My grandfather was in the millinery business. Manufacturing lasted even through the 1960s. I remember seeing shirts made in the Empire State Building. Total employment in the city peaked in 1969.

As post-World War II technology drove transportation costs down, manufacturing moved to the suburbs (and eventually Asia). Most large

American cities stagnated. But New York transformed itself again, this time into a service economy with high-paying jobs in finance, media, fashion, law, accounting and health care. It also remained home to the most important stock market in the world. Today well over 90% of New York employment is in services, according to the New York state government.

It risks becoming another Detroit if it keeps repelling entrepreneurs.

But the city has arrived at a nasty inflection point again. New York risks becoming another Detroit. New York needs to embrace entrepreneurs, not repel them. No more Zuckerbergs heading west.

What form of transformation lies ahead? Some suggest New York must become the next Silicon Valley, a mecca for geeks to create the new multiprotocol routers and alternative energy processes. That’s been tried before and always fails (see Research Triangle, Bangalore, Cambridge, England, or Skolkovo, Russia). Instead New York needs to build on the technology that comes out of Silicon Valley and elsewhere,

especially artificial intelligence and fintech, and use these advances to transform New York’s businesses.

Understanding these trends, then-Mayor Michael Bloomberg in 2011 launched an “applied science” competition, offering city land for a new campus. Stanford and Cornell wanted in, with the latter focused “on digital technology and its transformation of individuals, society and the economy.” This week one of the first new urban campuses in generations, Cornell Tech, opens on Roosevelt Island. As a Brooklyn-born Cornell engineer, I played a tiny role.

While New York shouldn’t try to create its own Silicon Valley, it definitely needs to adapt the Bay Area ethos: Focus on research. Encourage risk taking. Embrace failure. Reward collaboration. Attract immigrants and venture capitalists. Build networks of experienced workers. Take advantage of nearby universities. Get professors to train the next generation of students and to work with local business leaders to spin out important technologies. The status quo only brings woes.

But there’s a long way to go. My fear is that New York could be hollowing out again. The city is 8.5 million strong, but it took until 2012 to get the number of jobs back to the 1969 peak. The New York

metro area is a \$1.5 trillion economy—about the same size as Canada. For this transformation, an enlightened set of tax and capital-formation policies are critical to attract money and experienced entrepreneurs. A break on capital-gains taxes would do wonders. Wall Street can be the funding source for innovation as the structure of business reinvents and makes a brand new start.

Hence the eventual 2-million-square-foot Cornell Tech campus, which will ultimately host thousands. This and other programs are needed to stir up the melting pot and see what emerges from the primordial ooze of professors, entrepreneurs, students, venture capitalists and business leaders. This is the recipe for transformation.

And my role? During Mr. Bloomberg’s competition, Cornell asked me to write an opinion piece about who should win. Given the obvious conflict of interest, I declined and instead wrote something another alum might use to frame the pitch. Shortly thereafter, the Bloomberg team said the press would not influence their decision. Cornell instead ended up using a form of what I wrote as the introduction to its proposal. And you just read it.

Mr. Kessler writes on technology and markets for the Journal.

I Guess We’re All McCarthyites Now

By Philip Terzian

I’m indebted to Luis Gutiérrez, the bumptious congressman from Illinois’s Fourth District, for confirming what I long resisted acknowledging: America’s political discourse has been painfully coarsened.

My epiphany came last week, when Mr. Gutiérrez reacted angrily after Donald Trump put on notice the Deferred Action for Childhood Arrivals program. Mr. Gutiérrez had met in July with John Kelly, the retired Marine general who was then secretary of homeland security, and who seems to have offered soothing words on the subject. But then Mr. Kelly became President Trump’s chief of staff—and, presumably, signed off on ending DACA.

“General Kelly is a hypocrite who is a disgrace to the uniform he used to wear,” Mr. Gutiérrez declared last week. “He has no honor and should be drummed out of the White

House, along with the other white supremacists and those enabling the president’s actions by ‘just following orders.’”

Mr. Gutiérrez is no stranger to bombast, but what surprised me here was that his words passed largely unnoticed. A general in government service who is “a disgrace to the uniform.” Where have we heard that before?

A congressman insults John Kelly’s service—and nobody notices.

In the early 1950s, an Army dentist named Irving Peress refused to complete forms asking about his political background. When Sen. Joseph McCarthy learned in 1954 that Peress had been recommended for honorable discharge, he subpoenaed the dentist to appear before his investigatory committee, where the dentist

was alternately defiant and evasive.

McCarthy then summoned the commanding officer at the base where Peress worked to explain why the dentist—who McCarthy believed was a communist—had been promoted and discharged. Patiently and, presumably, very carefully, Brig. Gen. Ralph Zwicker explained that he had followed the recommendations of subordinates and Army protocol. McCarthy raged: “Any man who has been given the honor of being promoted to general and who says ‘I will protect another general who protects Communists’ is not fit to wear that uniform.”

The Peress case led directly to the Army-McCarthy hearings and the senator’s descent into oblivion. But the point today is that McCarthy’s assertion that Zwicker—who had gone ashore before the first wave at Omaha Beach to do reconnaissance for D-Day—was “not fit to wear that uniform”

struck Americans of the day as deeply shocking.

But that was then. Reasonable people will differ about the merits of DACA, as well as Mr. Kelly’s choice to join the Trump administration. Mr. Gutiérrez is entitled to his opinion, including the Nazi allusion to “just following orders.” Yet reaction to the insult proved mildly predictable: Some retorted that Mr. Gutiérrez never served in the armed forces—a criticism leveled, with equal validity, at Abraham Lincoln and Franklin D. Roosevelt—while others pointed out that Mr. Kelly’s elder son had been killed in action in Afghanistan.

Civic life has lost something when an angry congressman is emboldened to declare an honorable officer a “disgrace to the uniform.” In 1954 such aspersions were regarded as abhorrent. Now they’re just noise in a busy news cycle.

Mr. Terzian is a senior editor of the Weekly Standard.

OPINION

REVIEW & OUTLOOK

Trump’s Hurricane Rebuilding Job

President Trump knows the construction industry and can talk in great detail about laying concrete. So the urgent need for more construction workers following Hurricanes Harvey and Irma ought to get his attention.

Even before the hurricanes, construction firms around the U.S. reported trouble finding enough workers. The Bureau of Labor Statistics reported 225,000 construction job openings in June, up 30% in the last year and 125% since 2012. According to a survey this month by the Associated General Contractors of America, 86% of firms nationwide anticipate hiring workers in the next year.

The worker shortage is especially acute in fast-growing metro areas in the South such as Atlanta, Houston and Miami. In Texas, 69% of contractors said they struggled to fill positions. About 60% of contractors in the South are having trouble finding carpenters and concrete workers while half need more day laborers.

Older construction workers have left the workforce since the last housing boom. About a third moved to higher-paying industries such as energy and manufacturing. Fewer young men are pursuing the trades or a vocational education, and some can’t pass a drug test.

Big Labor and the restrictionist right say employers simply need to increase wages. But in Texas 57% of contractors reported increasing base pay while a quarter offered bonuses—and they’re still struggling to recruit workers. Between 2013 and 2016, the base pay for a day laborer increased 30% in Houston. Carpenters there earn about \$25 an hour, 55% more than three years ago. Large contractors with government contracts can perhaps pay more. But small

firms then get out-competed for workers.

Housing remodels are now taking longer because contractors and construction workers are busy on public works, which are costing taxpayers more. The hurricanes have exacerbated the shortage. Harvey destroyed about 30,000 homes in the Houston area. The National Association of Home Builders estimates that up to 20,000 workers will be needed to rebuild homes after Harvey—and many more to repair businesses, schools and infrastructure. Some rebuilding jobs simply won’t get done if labor costs rise to make them unprofitable.

After Hurricane Katrina in 2005, much of the clean-up and rebuilding was done by immigrants, many illegal. That saved money and sped up the recovery. Undocumented workers make up 29% of construction workers in Louisiana, 23% Texas and 15% in Florida, according to the Pew Research Center.

All employers must complete an employment eligibility verification form, and those who hire undocumented workers risk losing workers in immigration raids. But the Department of Homeland Security is now demanding that federal contractors use E-Verify to check whether workers are legal, and this deters some workers who could help.

The Bush Administration temporarily waived worker-ID requirements after Katrina, and President Trump should do the same. Congress also ought to authorize more guest-worker visas for construction as part of the Irma relief bill, and any undocumented worker who assists with rebuilding should receive one. Consider this a down payment on solving the economy’s larger labor shortage.

A construction labor shortage will add costs and time to the recovery.

‘It Is Chilling to Hear . . .’

Our editorial last week on the spectacle of Senate Democrats questioning the Catholic faith of Notre Dame law professor and judicial nominee Amy Barrett struck a nerve. Many readers are stunned that politicians would suggest that having “orthodox” religious views could disqualify someone from the American judiciary.

Also concerned is John Jenkins, President of the University of Notre Dame. Fr. Jenkins is no conservative but he can spot an attack on religious belief, and on Saturday he wrote to Sen. Dianne Feinstein, the ranking Democrat on the Senate Judiciary Committee who led the assault on Ms. Barrett. Here is the letter in full:

Dear Senator Feinstein:
Considering your questioning of my colleague Amy Coney Barrett during the judicial confirmation hearing of September 6, I write to express my confidence in her competence and character, and deep concern at your line of questioning.

Professor Barrett has been a member of our faculty since 2002, and is a graduate of our law school. Her experience as a clerk for Judge Laurence Silberman of the U.S. Court of Appeals and Supreme Court Justice Antonin Scalia is of the highest order. So, too, is her scholarship in the areas of federal courts, constitutional law and statutory interpretation. I am not a legal scholar, but I have heard no one seriously challenge her

Notre Dame’s president has some pointed words for Senate Democrats.

impeccable legal credentials.

Your concern, as you expressed it, is that “dogma lives loudly in [Professor Barrett], and that is a concern when you come to big issues that large numbers of people have fought for years in this country.” I am one in whose heart “dogma lives loudly”, as it has for centuries in the lives of many

Americans, some of whom have given their lives in service to this nation. Indeed, it lived loudly in the hearts of those who founded our nation as one where citizens could practice their faith freely and without apology.

Professor Barrett has made it clear that she would “follow unflinchingly” all legal precedent and, in rare cases in which her conscience would not allow her to do so, she would recuse herself. I can assure you that she is a person of integrity who acts in accord with the principles she articulates.

It is chilling to hear from a United States Senator that this might now disqualify someone from service as a federal judge. I ask you and your colleagues to respect those in whom “dogma lives loudly”—which is a condition we call faith. For the attempt to live such faith while one upholds the law should command respect, not evoke concern.

Respectfully,
Rev. John I. Jenkins, C.S.C.
President

Trial Lawyers and Breitbart Unite

The Trump era is producing strange alliances. Witness how trial lawyers are lining up behind Breitbart-backed Roy Moore in Alabama’s Senate GOP primary runoff later this month.

President Trump and Mitch McConnell have both endorsed Luther Strange, Alabama’s former Attorney General who was appointed temporarily to fill Jeff Sessions’s seat. But former White House aide Steve Bannon’s Breitbart team is trying to oust Mr. Strange to stick it to Mr. McConnell, whom they blame for the failure to kill ObamaCare, among other GOP crackups. Never mind that John McCain killed reform, and Mr. Strange voted for every repeal bill put up for a vote.

Mr. Moore, a former state Supreme Court chief justice, is a favorite among evangelicals. In 2003 he was removed from the bench after defying a federal court order to remove the Ten Commandments from the state Supreme Court. While voters returned him to the state’s high court in 2012, he was removed again for flouting the Supreme Court’s *Obergefell* ruling that legalized same-sex marriage.

Some Republicans like Sarah Palin admire Mr. Moore’s defiance even if it evinces contempt for the Constitution and rule of law. Trial lawyers value his disregard for judicial precedent and arbitration, which limits plaintiffs’ ability to sue in court.

In 2001 Mr. Moore argued in a dissenting opinion that the Federal Arbitration Act doesn’t preclude plaintiffs from trying disputes in state courts even though the U.S. Supreme Court had ruled otherwise. He opined that federal courts have misconstrued the law. Alabama-based plaintiff attorney Jere Beasley of Beasley Allen called Mr. Moore’s dissent “the strongest thing I’ve read against arbitration.”

Beasley Allen spearheaded nationwide asbestos litigation and the recent wave of torts against talcum powder, including the \$417 mil-

lion awarded by a California jury last month against Johnson & Johnson. Mr. Strange’s predecessor also employed Beasley Allen as outside counsel on the state lawsuit against BP for the 2010 Gulf of Mexico oil spill. The law firm was set to receive \$140 million of the \$2 billion settlement until Mr. Strange in 2011 scuttled the agreement. “I’m not going to give any law firm 15% to 20% of the money due the people of the state of Alabama,” Mr. Strange said.

Plaintiff attorneys ranked among Mr. Moore’s biggest patrons in 2012, making up about 20% of his haul, according to local news reports. Mr. Beasley and his partner, Greg Allen, both contributed \$5,000 to Mr. Moore’s campaign in July. According to Alabama Local News, Mr. Beasley sent three emails to his firm’s employees encouraging them to vote for Mr. Moore in the Aug. 15 primary and Sept. 26 runoff because the election is “important to our firm and our clients.”

Mr. Moore is the only candidate “who is supportive on issues that are good for consumers and victims of corporate wrongdoing and abuse,” Mr. Beasley wrote. “The request is made in the best interest of people in Alabama who may need the courts to remain open, independent and fair.”

By that he means receptive to jackpot judgments that enrich lawyers, if not their clients. Washington’s “blue slip” tradition lets Senators veto potential judicial nominees from their states, and trial lawyers hope Mr. Moore will block judges who have upheld arbitration agreements. He could also help Senate Democrats block tort reforms that have passed the House this year.

Trial lawyers have a history of co-opting Republicans in the South, so their support for Mr. Moore isn’t surprising. But the Breitbart-trial bar alliance does speak volumes about the faux conservatism of certain self-styled populists.

LETTERS TO THE EDITOR

VAT Will Help Some Problems, Create Others

In “Tax Consumption Through a VAT, and Voilà” (op-ed, Sept. 5) John H. Cochrane presents a persuasive case for eliminating our current dysfunctional income-tax system and replacing it with a uniform value-added tax (VAT). The benefits of such a move, in higher growth and decreased inefficiency, are manifest. But how do we get there from here?

I suggest that an effort to achieve this restructuring be organized around a campaign to repeal the 16th Amendment to the Constitution, which was ratified in 1913 to enable federal income-tax collections, and without which any federal income tax would be unconstitutional. A new amendment to repeal the 16th Amendment might also include language to “lock in” important elements of any future VAT, most important, uniformity, but also the structure of any progressivity elements.

Such a campaign to repeal the 16th Amendment would enjoy broad popular support, particularly if progressivity benefits (e.g., a yearly check for \$10,000) were limited to U.S. citizens. Most important, the right repeal text would reassure those of us concerned about the possibility (or likelihood) of ending up with the most monstrous of possible outcomes: a baroque VAT system, with exemptions for every rent-seeker with the wherewithal to employ a lobbyist, layered on top of the 10-million plus words of our existing tax code.

The U.S. voter will take great delight in throwing sand in the gears of the K Street lobbying machine and the politician-corporation revolving door. The wise politician will recognize this fact and get ahead of the crowd.

JAMES K. HOWEY
Seattle

Substituting a VAT for our present tax code would eliminate the currency of the career politician—the ability to manipulate the tax code in return for election contributions. Ain’t happening.

MARK A. DIGIOVANNI
Boston

Anyone who has experienced the European system can certainly attest what a money machine a VAT is: a politician’s taxing dream. But we have seen no evidence that it is an economic growth machine.

Those who advocate a VAT and

other consumption taxes never speak to those of us who have spent our lives saving for retirement with after-tax earnings and who will now get to be taxed again when we spend it.

No wonder it’s such an economic miracle—just lower income taxes on the backs of retirees through double taxation.

ROBERT TAYLOR
Los Angeles

Instituting a VAT as a substitute for the income tax isn’t as simple as Mr. Cochrane suggests. Repealing the federal income tax could impose significant costs on most states, which now rely on federal definitions and, to some degree, enforcement, to support their own income taxes. Employers would have the same compliance burdens unless the states also shifted from income taxes to higher sales taxes or property taxes. While this may be something that delights the proponents of the VAT, it might create political or even constitutional problems in certain states.

ROBERT KANTOWITZ
Lawrence, N.Y.

Most states have state income taxes, so most taxpayers will still have to file income-tax returns.

THOMAS E. MCKEE
Isle of Palms, S.C.

There is one big problem with a federal VAT: It is unconstitutional. The federal government’s only powers are those explicitly granted to it by the Constitution. Unmentioned powers devolve to the states. As there is no mention of a sales tax in the Constitution, only states are allowed to tax sales.

STEVEN E. CONNELL
Honolulu

With a 20% VAT plus an additional 8% state sales tax, there would be huge black markets not just for drugs like fentanyl and heroin but on everything sold. The Drug Enforcement Administration essentially enforces federal law against the illicit-drug black market. How is that working out? Can you imagine the DEA times 10,000? There would be undercover buy-busts for chocolate and chewing gum.

STEVEN MARTIN
Retired DEA supervisor
Richardson, Texas

How New Hampshire Joined ‘Hillbilly Elegy’

Regarding Matthew Hennessey’s “Live Free or High in the Granite State” (op-ed, Aug. 22): As a third generation New Hampshire, I hold that President Trump got it right in naming the Granite State a “drug-infested den.”

New Hampshire has a strong libertarian streak. Always has. The admirable state motto, “Live Free or Die,” was first uttered by Gen. John Stark, the Battle of Bennington hero. But Stark declared this in the personal and communal discipline of his Scotch-Irish Presbyterian heritage. In his time New Hampshire was part of the Bible Belt. Today my state is one of the least churchgoing states in the nation. No correlation to widespread addiction? Give me a break.

Supply of prescription drugs had and has been easy in New Hampshire. This led to drug cartels targeting the state with legal and illegal follow-ons. Now narcotic trafficking is always principally a matter of demand. As a former U.S. Coast Guard drug warrior on the supply side, I understand this. Nonetheless, distribution and availability are critical supply-chain factors. Those progressive enablers of decriminalization and legalization have blood on their hands.

Does the iGeneration Know Enough to Value Freedom?

Regarding “The Smartphone Generation Vs. Free Speech” (Review, Sept. 2): The iGeneration is also the first to grow up with the notion of zero tolerance. We shouldn’t be surprised that a generation that has been taught anything resembling a weapon (even a Pop-Tart shaped as a gun) brought to school would result in discipline, would apply that rigidity to speech, behavior or beliefs they don’t like.

REED PEDERSON
Greensburg, Pa.

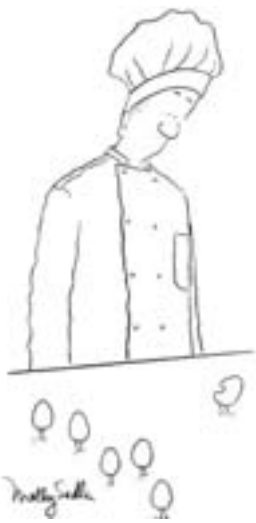
A rising generation that reads little and studies history even less is a threat to traditional liberalism and democratic governance. America’s most tolerant generation is for the most part oblivious to the danger of suppressing speech that is deemed insufficiently tolerant.

RON ALLEN
Columbia, Md.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.letters@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

Pepper ... And Salt

THE WALL STREET JOURNAL



“We’re here to audition for ‘American Omelet.’”

OPINION

Finding America’s Lost 3% Growth

By Phil Gramm
And Michael Solon

Growth deniers are declaring that America’s economy has lost its ability to grow at 3% above inflation. If that’s the case, maybe we should go back to where we lost 3% growth and retrace our steps until we find it. For only with 3% or higher growth does America experience measurable progress in poverty reduction, strong job creation and income growth. If 3% growth is irretrievably lost, so is the American Dream.

If the country can’t grow like it once did, then the American Dream really is irretrievably lost.

Did America actually experience 3% real growth to start with? Yes. In the postwar era, the U.S. averaged 3.4% annual growth from 1948 through 2008. We averaged 3% growth for half of the George W. Bush presidency (2003-06). From 2009-12, the Obama administration, the Congressional Budget Office and the Federal Reserve all thought they saw 3% growth just around the corner. If the possibility of 3% growth is gone forever, it hasn’t been gone very long.

America enjoyed 3% growth for so long it’s practically become our national birthright. Census data show that real economic growth averaged 3.7% from 1890-1948. British economist Angus Maddison estimates that the U.S. averaged 4.2% real growth from 1820-89. Based on all available data, America has enjoyed an average real growth rate of more than 3% since the founding of

the nation, despite the Civil War, two world wars, the Great Depression and at least 32 recessions and financial panics. If 3% growth has now slipped from our grasp, we certainly had it for a long time before we lost it.

So poor was our economic performance during the Obama presidency, with its 1.47% economic growth, that now many Americans believe 3% growth is gone forever. The CBO has slashed its 10-year growth forecast to a measly 1.8% per year. If we never see 3% growth again, our grandchildren may point to 2009 and say, “That was when the American economy ran out of gas.”

While Obama apologists like to claim that labor-productivity and labor-supply factors preclude 3% growth, most of the growth constraints we face today are directly attributable to Mr. Obama’s policies. The Bureau of Labor Statistics reports that labor-productivity growth since 2010 has plummeted to less than one-quarter of the average for the previous 20, 30 or 40 years. Productivity fell during the current recovery, not during the recession. With high marginal tax rates, especially on investment income, new investment during the Obama era managed only to offset depreciation, so the value of the capital stock per worker, the engine of the American colossus, stopped expanding and contributed nothing to growth.

A tidal wave of new rules and regulations along health care, financial services, energy and manufacturing forced companies to spend billions on new capital and labor that served government and not consumers. Banks hired compliance officers rather than loan officers. Energy companies spent billions on environmental compliance costs, and none of it produced energy more cheaply or abundantly. Health-insurance premiums skyrocketed but with



DAVID KLEIN

no additional benefit to the vast majority of covered workers.

In a world of higher costs, productivity plummeted. Productivity measures the production of things the market values that flow from the employment of labor and capital. Try listing the Obama-era regulatory requirements that generated the employment of labor and capital in ways that actually produced something you buy.

True, America is aging. In 2006, when the labor force participation rate was 66.2%, the BLS predicted that demographic changes would push it down to 65.5% by 2016. Under Mr. Obama’s policies, it actually fell further, to 62.8%, and the number of working-age Americans not in the labor market spiked to 55 million.

By waiving work requirements for welfare, lowering food-stamp eligibility requirements and easing standards for disability payments, Mr. Obama’s policies disincentivized work. Disability rolls have expanded 18.6% during the current recovery, compared with a 16% decline during the Reagan recovery. The CBO estimates ObamaCare alone will reduce work hours by 2% and eliminate 2.5 million jobs by 2024. At the current 1% growth in the civilian population above the age of 16, a mere reversion to the pre-Obama labor-force participation rates would supply more than enough workers to generate a 3% growth rate.

Even baby-boomer retirement is driven in part by public policy. When Social Security paid its first

check in 1940 average life expectancy was 64 years and benefits started at 65. Today early retirement is available at 62. Life expectancy is now projected to be 79 years. People are healthier, morbidity rates have fallen dramatically, and the retirement age can and should be raised.

Bad policies—not bad luck or a loss of God’s favor—have driven down labor productivity and the labor supply. We can change those policies. If reversing Mr. Obama’s policies simply eliminated half the gap between the projected 1.8% growth rate and the average growth rates during the Reagan and Clinton recoveries, it would deliver 3% real growth generating nearly \$3.5 trillion in new federal revenues over the next 10 years. That’s not as much as the \$4.3 trillion in revenues lost by Mr. Obama’s slow growth, but it’s more than Mr. Trump promises to bring back by reversing his predecessor’s policies.

America without 3% growth is not America. Since 1960, the American economy has experienced 30 years with growth of 3% or more. Seventy-nine percent of all jobs created since 1960 were created during those years. The poverty rate fell by 72% and real median household income rose by \$20,519. In the 26 years when the economy had less than 3% growth, just 21% of all post-1960 jobs were created, the poverty rate rose by 37% and household income fell by \$12,004. With 3% growth, the American dream is achievable and virtually anybody willing to work hard can live it. Let 3% growth die and a lot of what we love most about our country will die with it.

Mr. Gramm, a former chairman of the Senate Banking Committee, is a visiting scholar at the American Enterprise Institute. Mr. Solon is a partner of US Policy Metrics.

Germany’s Boring Election Is Nothing to Snore At

By Josef Joffe

Germany goes to the polls in little more than two weeks, but you’d never know it with a campaign as thrilling as a week-old weather report. Nobody doubts that Angela Merkel will get her fourth four-year term on Sept. 24. The only question is who her junior coalition partner will be: the center-left Social Democrats, the center-right Free Democrats or the Greens, who are somewhere in between.

It matters little whom Mrs. Merkel will pick. Germany is a nation pleased with itself and its three-term leader. There’s no Donald Trump, who makes “House of Cards” look soporific, no Emmanuel Macron, who promises to make La France great again.

The campaign posters tell it all, offering nothing that might enthuse, let alone rile, a placid electorate. Here’s a sampling: “Good jobs and good wages.” “For a Germany where we like to live and live well.” “Education must be free of charge.” Or, best of all: “Have a nice holiday!”

A vacation from politics. Just what Dr. Merkel ordered. Just what the patient wants.

Picking your way through this

smorgasbord of pap, you couldn’t tell which party is touting what. Up there in Red Heaven, Marx’s sidekick Friedrich Engels must be smiling. His dream has come true in 21st-century Germany.

Engels famously predicted that after the revolution, the “rule over men” would be replaced by the “administration of things”—by the end of politics, no less. No more “contradictions,” as the Marxists have it, no class struggles or culture wars. Just a wise bureaucracy directing society’s traffic.

Naturally, the media, which thrive on conflict, don’t like it. There isn’t even a decent campaign-finance scandal. The tabloids must make do with obscenely expensive soccer trades topping out at €222 million (\$264.7 million). So the pundits ridicule the mainstream parties while desperately searching for pickings among the two smallish outliers.

The Left Party tries to score with “Socialism, Not Barbarism,” while at the other end of the political spectrum the anti-immigrant Alternative for Germany, or AfD, fishes for votes with subtly racist slogans.

Voters in the vast middle aren’t biting. Anti-Muslim resentment may

work in France or Holland, but not in Germany. The nation remembers how communism crashed in East Germany and Nazism ended in catastrophe.

Centrism is Germany’s civil religion now, and Mrs. Merkel—known as *Mutti*, or mom—its high priestess.

A bland and predictable campaign should be admired in the midst of a chaotic Continent.

What’s wrong with boredom? “May you live in interesting times,” as the curse goes. The Germans have had their fill of excitement in the 20th century. This is why they keep electing Mrs. Merkel.

Even better, Mrs. Merkel, a notional conservative, has moved her party to the left, signaling to the electorate: You can have it all—social spending and tax cuts, gay marriage and family values. Her ideological imperialism has left little room for her challenger, Martin Schulz, whose Social Democrats trail

Mrs. Merkel’s Christian Democrats by up to 17 points.

Nor does Mrs. Merkel threaten any surprises. If she makes a move, it’s only a couple of degrees to the right or left. When she does jerk the tiller, as she did in 2015 by suddenly taking in about a million refugees, she swiftly reverses course. The so-called Balkan Route was quickly sealed, and now border controls are back. The flow was down in July to a manageable 15,000. Not coincidentally, the AfD is now down to single digits.

If Germans could elect their chancellor directly rather than vote for the parties, polls show Mrs. Merkel would win in a landslide, 52% to 30%, over Mr. Schulz, the long-term president of the European Parliament who last won a German election as mayor of a tiny town. These numbers reflect a truth transcending personalities: Mrs. Merkel presides over 80 million happy subjects.

Look around. Britain is torn in two over Brexit. France is an economic basket case, its savior, Mr. Macron, plunging in the polls. Italy remains ungovernable. In the east, Hungary and Poland are going authoritarian. Mr. Trump’s America is

abdicating U.S. leadership with his what-do-we-care nationalism.

Meanwhile, boring Germany boasts full employment and bloated trade surpluses. Extremism is safely contained on the fringes. The bureaucracy runs smoothly. It doesn’t take 10 years, as it does in Italy, to get a verdict in civil court. Income inequality is lower than in Britain, France or Italy. Germany’s social safety net is the envy of the world, drawing masses from the Middle East and North Africa. Integration remains iffy, but there are no *banlieues* as in France or no-go zones as in Belgium.

Socrates was supposedly asked, “How is your wife, Xanthippe?” To which the philosopher replied, “Compared to what?” Compared to the rest, Germany is a country at ease, light years removed from its horrifying 20th-century incarnations.

Can its luck last in a world whose liberal order is under assault? The electorate, at least, seems intent to say, as it has since 2005: “In Mutti we trust.”

Mr. Joffe is editor of Die Zeit in Hamburg and a fellow of Stanford’s Hoover Institution.

The Hard Right and Hard Left Pose Different Dangers

By Alan M. Dershowitz

The extreme right—neo-Nazis, the Ku Klux Klan and other assorted racists and anti-Semites—and the extreme left—anti-American and anti-Israel zealots, intolerant censors, violent anarchists such as Antifa, and other assorted radicals—both pose a danger in the U.S. and abroad.

Which group poses a greater threat? The question resists a quantitative answer, because much may depend on time and place. It may also be in the eye of the beholder: For many on the center left, the

greater danger is posed by the hard right, and vice versa. Yet the most important reason for this lack of a definitive quantitative answer is that they pose qualitatively different dangers.

History has set limits on how far to the extremes of the hard right reasonable right-wingers are prepared to go. Following the horrors of the Holocaust and Southern lynchings, no one claiming the mantle of conservative is willing to be associated with Nazi anti-Semitism or the KKK. Neo-Nazi and Klan speakers are not invited to university campuses.

The hard left lacks comparable limits. Despite what Stalin, Mao, the Castros, Pol Pot, Hugo Chavez and North Korea’s Kims have done in the name of communism, there are still those on the left—including some university professors and students—who do not shrink from declaring themselves communists, or even Stalinists or Maoists. Their numbers are not high, but the mere fact that it is acceptable on campuses, even if not praiseworthy, to be identified with hard-left mass murderers, but not hard-right mass murderers, is telling.

The ultimate goals of the hard right are different, and far less commendable, than those of the hard left. The hard-right utopia might be a fascist society modeled on the Italy or Germany of the 1930s, or the segregationist post-Reconstruction American South.

The hard-left utopia would be a socialist or communist state-regulated economy aiming for economic and racial equality. The means for achieving these important goals might be similar to those of the hard right. Hitler, Stalin and Mao all killed millions of innocent people in an effort to achieve their goals.

For the vast majority of reasonable people, including centrist conservatives, the hard-right utopia would be a dystopia to be avoided at all costs. The hard-left utopia would be somewhat more acceptable to many on the center left, so long as it was achieved nonviolently.

The danger posed by the extreme left is directly related to its more benign goals, which seduce some

people, including university students and faculty. Believing that noble ends justify ignoble means, they are willing to accept the antidemocratic, intolerant and sometimes violent censorship policies and actions of Antifa and its radical cohorts.

By affirming benign goals, Antifa and its comrades make intolerance and even violence seductive.

For that reason, the most extreme left zealots are welcomed today on many campuses to express their radical views. That is not true of the most extreme neo-Nazi or KKK zealots, such as David Duke and Richard Spencer. Former White House aide Steve Bannon recently told “60 Minutes” that “the neo-Nazis and neo-Confederates and the Klan, who by the way are absolutely awful—there’s no room in American politics for that.” In contrast, prominent American leftists, such as Noam Chomsky and even Bernie Sanders, supported the candidacy of British hard-left extremist Jeremy Corbyn, despite his flirtation with anti-Semitism.

The hard right is dangerous largely for what it has done in the past. For those who believe that past is prologue, the danger persists. It also persists for those who look to Europe for hints of what may be in store for us: Neofascism is on the

rise in Hungary, Slovakia, Austria, Greece, Lithuania and even France. Some of this rise may be attributable to regional issues, such as the mass migration of Muslims from Syria and other parts of the Middle East. But some may also be a function of growing nationalism and nostalgia for the “glory” days of Europe—or, as evidenced in our last election, of America.

The danger posed by the extreme hard left is more about the future. Leaders of tomorrow are being educated today on campus. The tolerance for censorship and even violence to suppress dissenting voices may be a foretaste of things to come. The growing influence of “intersectionality”—which creates alliances among “oppressed” groups—has led to a strange acceptance by much of the extreme left of the far-more-progressive goals and violent means of radical Islamic terrorist groups that are sexist, homophobic, anti-Semitic and anti-Western. This combination of hard-left secular views and extreme Islamic theological views is toxic.

We must recognize the different dangers posed by different extremist groups that preach and practice violence, if we are to combat them effectively in the marketplace of ideas, and perhaps more importantly, on the campuses and streets.

Mr. Dershowitz is a professor emeritus at Harvard Law School and author of “Trumped up! How Criminalizing Politics is Dangerous to Democracy” (CreateSpace, 2017).

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WORLD NEWS

Pope Urges End to Colombia Plight

Pontiff turns his focus to the condition of Afro-Colombians as he wraps up five-day visit

By JOHN OTIS

CARTAGENA, Colombia—In this port city where African slaves were once sold, Pope Francis wrapped up a five-day trip to Colombia Sunday by declaring that the post-war period this country is entering must include an end to what he called modern forms of slavery.

Although this walled colonial city is a glitzy international tourist destination, Pope Francis focused on its dark history and current woes, such as slums teeming with people uprooted by a long guerrilla war and child prostitution rings catering to foreigners. Many of those suffering here are Afro-Colombians, and in his last hours in Colombia the pontiff centered his message on them.

“Here in Colombia and in the world, millions of people are still being sold as slaves,” the pope declared. “They either beg for some expressions of humanity, moments of tenderness, or they flee by sea or land because they have lost everything, primarily their dignity and their rights.”

The pontiff delivered his message before thousands standing in the midday sun outside San Pedro Claver Church, named for a Spanish Jesuit priest who in the 1600s defied church superiors by ministering to victims of the trans-Atlantic slave trade and insisting that they, like Europeans, were also children of God. The descendants of many of those slaves founded com-



Pope Francis greeted children during a visit to San Pedro Claver Church in Cartagena, Colombia, on Sunday.

munities that today are considered rich in culture but vulnerable to political violence.

Pope Francis spoke with a noticeably bruised cheek and eyebrow, the result of a small cut sustained when he bumped into the window of his “Pope-mobile” when it braked sharply as he was waving to well-wishers during a procession through Cartagena. “I got bashed,” he later joked to reporters. The Vatican said ice was applied, and the pontiff was fine.

Another surprise was a brief message for Venezuela. He bowed his head and prayed for a peaceful solution to what he called a “grave crisis” in

that oil-rich country, where more than 120 people were killed in antigovernment protests that ended last month.

“I appeal for the rejection of all violence in political life and for a solution to the current grave crisis, which affects everyone, particularly the poorest and most disadvantaged of society,” Francis said. The Vatican tried to jumpstart negotiations last year between Venezuela’s socialist government and opposition leaders, who accuse President Nicolás Maduro of stifling democracy.

Throughout his trip, which took him to the metropolis of Bogota, as well as prosperous

Medellin and the cattle city of Villavicencio, Francis urged Colombians to fully embrace peace now that their government and Marxist guerrillas are implementing the complex points of a peace accord that was signed last year. But on every stop, he also insisted that a peaceful society requires social justice and invited the faithful to reach out to the less fortunate.

“If Colombia wants a stable and lasting peace,” the pope said, “it must urgently take a step in this direction, which is that of the common good, of equity, of justice, of respect for human nature and its demands.”

On Sunday, Francis skipped Cartagena’s former monasteries, converted into five-star hotels, to visit San Francisco, a rough, working-class barrio plagued by street gangs. There, he blessed the cornerstones of two charitable foundations that work with the homeless and child prostitutes. “That’s why we like this Pope. He doesn’t go to the rich parts of town. He comes here,” said Emilsa Pajaro, 47, who grew up in the neighborhood. An Afro-Colombian who teaches elementary school, Ms. Pajaro said Cartagena has “a cruel history” but that most residents and city officials ignore it.

Mexico Presses Recovery Efforts After Quake

By DUDLEY ALTHAUS

MEXICO CITY—Mexican security forces intensified recovery efforts on Sunday after one of the country’s strongest earthquakes in decades along its southern Pacific Coast and a hurricane that dropped heavy rains inland from the Gulf coast.

At least 90 people were killed in the 8.1-magnitude quake, which struck late Thursday. The worst hit was the Zapotec indigenous city of Juchitán in Oaxaca state. In all, 71 people died in Oaxaca, 15 in neighboring Chiapas state and four in the Gulf state of Tabasco, local authorities said.

Hundreds of aftershocks have struck since Thursday night’s temblor. A 4.4-magnitude quake was recorded Sunday morning near the Oaxaca coast by Mexico’s Seismic Service.

Late Friday, Mexican President Enrique Peña Nieto declared three days of mourning for the people killed in the earthquake.

Hours later, Hurricane Katia, a Category 2 storm that had lingered offshore for days, hit Veracruz state.

The storm weakened quickly as it moved inland but dropped rain that caused rivers to overflow their banks, collapsed roads and killed two people in the state capital of Xalapa.

Meanwhile, some 2,000



A rescue worker marked debris Sunday in Juchitán, which absorbed the brunt of Thursday’s quake.

Mexican troops rushed food, water and other basic supplies into the poor southern states of Oaxaca and Chiapas, which bore the brunt of the earthquake. Both states have indigenous populations and are among Mexico’s poorest.

By Saturday, authorities had restored electricity and water services to most of the affected communities. Crews were searching for other victims, tearing down badly damaged buildings and clearing streets and highways.

While widespread, the hu-

man and property impact was most severe in Juchitán, a city of 100,000. Parts of the town hall, a hotel, a church and other buildings collapsed. Hundreds of houses were damaged.

Across Mexico, local authorities set up collection centers that received donations of basic goods such as baby formula and diapers.

“We will have to confront the destructive force of this quake with the constructive force of Mexicans’ unity,” Mr. Peña Nieto said on Friday during a tour of the damage in

Juchitán.

Thursday’s quake was similar in strength to, but far less destructive than, the Sept. 19, 1985 quake that damaged much of central Mexico City, killing at least 6,000 people. Some estimates run far higher.

Thursday’s quake sent many thousands of panicked residents into the streets as buildings swayed and seismic alarms sounded.

The quake’s epicenter was about 54 miles southwest of the Oaxacan coastal town of Pijijiapan, and was 43 miles

below the earth’s surface. Mr. Peña Nieto said half of Mexico’s 123 million people felt it.

Pemex, Mexico’s state oil company, reported no damage to it 330,000-barrel-a-day refinery in Salina Cruz, near Juchitán.

Over the weekend, the people of Juchitán began burying their dead even as crews searched for more people in the debris. Among the new victims listed Saturday was a Juchitán policeman whose body was recovered from the rubble of city hall.

Soldiers and other security forces were deployed to Juchitán and other stricken towns early Saturday to maintain order and distribute food and water. Juchitán’s main market was destroyed and many grocery stores were either damaged or closed.

“The situation is very chaotic,” policeman Juan Carlos Sánchez said by telephone Saturday. “There are some damaged buildings that could still collapse. People are scared and desperate.”

Hundreds of residents slept Friday night in the streets or parks, having either lost their homes or fearing a new quake, Mr. Sánchez said. With Juchitán’s main hospital badly damaged, workers were treating the wounded outdoors as well, he said.

—Juan Montes
contributed to this article.

Papal Decree Points to Changes In Mass

By FRANCIS X. ROCCA

ROME—Pope Francis gave national bishops’ conferences greater authority to translate the Mass into local languages, reviving a half-century-long effort to modernize the Catholic liturgy after decades of conservative retrenchment.

The pope’s decree, published Saturday, is the latest episode in the struggle over liturgy that has beset the Catholic Church over the last half-century, since the Second Vatican Council ushered in changes including worship in modern languages instead of Latin.

Invoking the “great principle” of Vatican II that liturgy should be “accommodated to the understanding of the people so that it might be understood,” the decree will likely spark new conflict with conservatives, who have criticized the pope for his softening of the Vatican’s attitudes toward divorce, contraception and homosexuality.

The first translations of the Mass into modern languages drew objections that they lacked sufficient reverence and theological precision. After decades of conservative complaints and in defiance of liberal objections, the Vatican took control of the translation process in the late 1990s. But a revised version of the Mass in English, introduced in 2011, was criticized for language that many found awkward and inaccessible.

Pope Francis is much more of a liberal on worship and other matters than his predecessor Pope Benedict XVI, who revived the traditional Latin Mass in 2007. He has little enthusiasm for the Latin Mass and has embraced an expansive understanding of the spirit of Vatican II with changes that go beyond the letter of council documents. In a speech last month, the pope invoked his teaching authority to state that the post-conciliar liturgical reform is “irreversible.”

While “Pope Francis takes the Mass and the sacraments seriously, he is not heavily invested in the fine points of liturgical debate,” said John L. Allen, Jr., president of Crux Catholic Media and a papal biographer. Yet Saturday’s decree “is the

National bishops’ conferences have been given more authority to translate the Mass.

clearest statement that Pope Francis has made to date about his interpretation of Vatican II,” most significantly as an act of decentralization.

Saturday’s papal decree could in principle allow bishops in English-speaking countries to reverse the 2011 changes, pending final approval from the Vatican. But Mr. Allen said such a move is unlikely in the U.S., where bishops have generally embraced the latest translation and may be loath to reopen the time-consuming and acrimonious process that produced it.

Cassini’s Final Mission: Solve the Mysteries of Saturn’s Rings

By ROBERT LEE HOTZ

After 20 years in space, a vintage probe called Cassini is entering its last waltz with Saturn with a series of rhythmic maneuvers to explore one of the most dazzling planetary features in the cosmos—Saturn’s vast icy rings.

The NASA spacecraft has been swooping back and forth at 77,000 miles an hour through the narrow gap between Saturn’s rings and the planet’s cloudy surface before making a suicide plunge into Saturn’s atmosphere on Sept. 15. Mission managers programmed Cassini’s destruction to avoid contaminating any of Saturn’s moons that might be hospitable to life.

In its last days, the aging spacecraft is bringing Saturn’s rings into sharp focus, detail that could help settle debates over their age, mass and origin.

“The ring scientists are having a field day,” said NASA deputy project scientist Scott Edgington. “When the navigators said we could come so close that we could dive through this gap, you can imagine how the scientists’ eyes lit up.”

It is the grand finale of a \$3.27 billion mission that has involved 5,000 scientists in 17 countries. And it signals the end of an era of interplanetary exploration in which big multipurpose probes cruised the solar system, such as the Magellan mission to Mercury and Venus, the Galileo probe to Jupiter, and the 40-year-old Voyager spacecraft now entering interstellar space.

The Cassini probe is one of the heaviest and most complex interplanetary spacecraft ever built. Its components included the European Space Agency’s Huygens probe, which landed on one of Saturn’s moons in

2005. It has a dozen sets of sensors.

Launched in 1997 on a Titan IVB/Centaur rocket, Cassini took seven years to reach Saturn. It has spent the past 13 years exploring the planet, revealing secrets that bedeviled astronomers for centuries.

Among its findings, the probe found evidence that three major moons—Titan, Europa and Enceladus—might support the chemistry of life. It spotted seven previously unknown moons.

And in thousands of close-up images, the probe is detailing how Saturn’s rings, studded with thousands of tiny moonlets coalescing out of grit, likely mirror the dynamics of the giant, rotating cloud of gas and dust from which the sun and all the planets in the solar system formed 4.6 billion years ago.

“We have actually been able to see the rings evolving and



An illustration shows Cassini about to make a maneuver.

changing,” said astrophysicist Robin Canup at the Southwest Research Institute in Boulder, Colo., who studies the origins of planets.

As documented by Cassini’s sensors, the eight main bands of rings that surround Saturn are as flat as the broad brim of a stylish hat. They are com-

posed mostly of unusually pure ice particles, with sprinkles of pink dust and rocks that range in size from a marble to a house.

Overall the rings extend about 175,000 miles out from Saturn, but for all their breadth, they are on average only 30 feet thick. As Cassini discovered, the

rings have kinks, spokes and ripples. They wobble.

Two of the most fundamental facts about Saturn’s rings—their mass and age—are a mystery that Cassini may help solve in its final hours.

Researchers hope gravity measurements during Cassini’s final orbits will pin down the true mass of the rings, which in turn would clarify their age. The more massive the rings, the older they likely are.

By NASA’s calculation, Cassini has traveled more than 5 billion miles. Its bearings are almost out of lubricant; its reaction controls are wearing out; and the power supply for one sensor has failed.

“The spacecraft is an amazing machine and it’s operating almost flawlessly,” said Cassini program manager Earl Maize. Even so, “the warning light is on,” he said. “We are essentially out of gas.”

BUSINESS & FINANCE

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China Buyers Challenged Abroad

Merger activity slows as some sellers grow wary of deals with mainland companies

Chinese companies are finding it harder to buy and invest in businesses abroad—even if they are willing to pay top dollar for such deals.

Political, regulatory and other hurdles to Chinese cross-border acquisitions are mounting in the U.S., Europe and even Japan, making some sellers wary of striking deals with firms that have strong ties to mainland China.

At the same time, China has

been reeling in some of its biggest deal makers on mounting concerns about capital leaving the country and high debt levels posing a risk to its economy.

Together, the constraints are limiting the prospects of Chinese companies that still have the resources and ability to expand overseas and damping an already lackluster environment for global mergers and acquisitions this year. The setback for Chinese firms also comes after they emerged in recent years as credible bidders for U.S. companies.

China has made early steps to relax restrictions in areas like technology, while continu-

By Julie Steinberg in Hong Kong and Ben Dummett in London

ing to discourage them in such sectors as property, sports and entertainment.

“In some ways they were the perfect buyer because they seemed to have a long-term view and an unlimited checkbook,” said Scott Barshay, global head of mergers and acquisitions for law firm Paul, Weiss, Rifkind, Wharton & Garison LLP in New York. Their purchases “definitely drove up asset prices,” he added.

So far this year, Chinese

companies have announced \$113 billion in cross-border deals, down nearly a third from the same period a year earlier, according to Dealogic.

These days, simply being Chinese can be a disadvantage in some deal negotiations.

Earlier this summer, **Inner Mongolia Yili Industrial Group**, China’s largest dairy company, bid more than \$900 million for Stonyfield Farm Inc., a Londonderry, N.H., yogurt maker, according to people familiar with the matter.

Stonyfield’s owner, European packaged-food giant **Danone SA**, instead sold the business for \$875 million to French dairy company **Lacta-**

lis, which won in part because Danone and its advisers felt there was too much regulatory uncertainty associated with a Chinese buyer, people familiar with the matter said.

Danone was under pressure from the U.S. Justice Department to get rid of Stonyfield quickly as a condition of a separate acquisition it had made.

In Japan, **Toshiba Corp.** has spent months seeking a buyer for its large memory-chip division. It initially spurned a high bid from **Hon Hai Precision Industry Co.**—better known as **Foxconn Technology Group**—after Japanese government officials expressed concerns about

Please see CHINA page B2

SoFi Staff Criticize Startup’s Culture

By PETER RUDEGEAIR

Social Finance Inc., a fintech company whose hard-charging ethos propelled it to success, is grappling with accusations about its workplace culture that mirror a broader storm about the treatment of women at Silicon Valley technology startups.

In interviews, nearly a dozen current and former employees working in various departments told The Wall Street Journal that some executives, including the company’s former finance chief, engaged in or tolerated what they described as improper behavior toward women in recent years.

Nino Fanlo, who was SoFi’s chief financial officer until the end of May, said he occasionally complimented both men and women’s outfits and touched both men and women’s shoulders to try to be friendly. “It wasn’t sexual,” he said.

SoFi’s board said Mr. Fanlo “left the company in May 2017 to pursue another executive opportunity. He no longer has any relationship with the company.”

Separately, SoFi’s board disclosed after questioning from the Journal that in 2012 it paid money to settle a dispute between a lower-level employee and Chief Executive Michael Cagney. The nature of the dispute isn’t known, but the board said it didn’t involve a sexual relationship.

Please see SOFI page B2

If You Want Blood, You’ve Got ‘It’

‘It’ more than doubled the prior record for the opening of a horror movie, U.S. and Canada, B6

It	2017	\$117.2 million (estimate)
Paranormal Activity 3	2011	52.6
The Conjuring	2013	41.9
Paranormal Activity 2	2010	40.7
Friday the 13th	2009	40.6
The Conjuring 2	2016	40.4
Insidious Chapter 2	2013	40.3
The Grudge	2004	39.1
Annabelle	2014	37.1
Freddy v. Jason	2003	36.4

Source: Comscore Photo courtesy of Warner Bros. Entertainment Inc.



KEYWORDS | By Christopher Mims

For Home Wi-Fi, Sleek and Fleet Future Lies Ahead



Do you remember the first time you wirelessly surfed the web from a laptop? What about when you first watched a movie on a wirelessly connected TV? More such a-ha moments are coming. Perhaps one day you’ll fondly recall the first time you streamed “Star Wars: Episode 9” from your overhead lights.

The wireless gods have been hard at work on your home network. You can al-

ready eliminate dead spots, for a price, by placing wireless access points all over. But some problems can’t be solved by Wi-Fi’s evolution alone. Three leaps forward could be key to building a fast and evenly distributed home network, streaming ultra high-resolution video—think live virtual-reality TV—and handling that ever growing number of “smart” devices.

Some developments are right around the corner. Others work mostly in theory but are worth watching. **Cisco** projects that through

2021, consumption of data through Wi-Fi on mobile devices will grow 48% a year—faster even than the growth of data on cellular networks.

Much has been made of the power of mesh Wi-Fi to eliminate dead spots and increase performance. The principle is simple: Instead of just a single router bristling with antennas, why not have a little one on every floor or in every room, all passing bits, like a bucket brigade, to the farthest reaches of your domicile? The little routers don’t even

have to be very smart, since most of them—from **Google**, **Eero**, **Plume** and others—talk to the cloud in order to optimize the network.

The problem is that people might not want to buy boxes—seriously, six-packs—of routers for their home. One alternative is to rent through your cable company: **Comcast** has announced a deal with Plume to eventually offer the system to its customers. **Eero** Chief Executive Nick Weaver says his company has its own partnerships in the works,

though he isn’t ready to announce them yet.

But why install network extenders at all? What if every Wi-Fi-equipped device in your home could provide bandwidth as easily as using it? Why couldn’t your connected speaker or smart TV serve as a network node?

Plume is working with wireless chip designers to enable this, says CEO Fahri Diner. Eventually, your network could grow stronger as you add more devices to it. And because of standards

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INSIDE



NORDSTROM STRIPS DOWN IN GAMBLE

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EQUIFAX SCRAMBLES AFTER BREACH

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Smartphone Makers Believe You Will Pay \$1,000 and Up

By TRIPP MICKLE AND TIMOTHY W. MARTIN

Prepare for smartphone sticker shock.

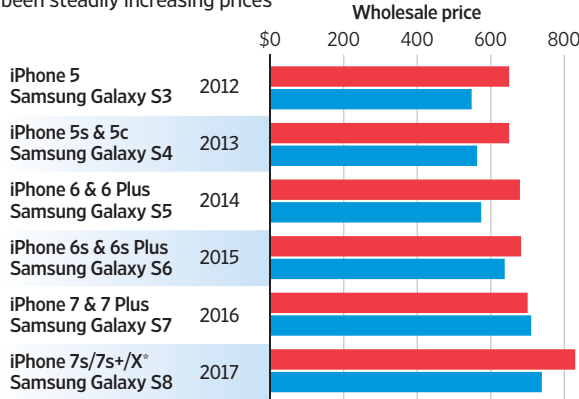
A decade into the smartphone era, **Apple Inc.** and **Samsung Electronics Co.** are betting they can increase sales by jacking up the price of their flagship products—bucking the usual downward arc for prices of consumer electronics in the years after introduction.

Apple on Tuesday is expected to unveil a more-advanced iPhone—also known as the anniversary iPhone, the iPhone 8 or iPhone X—which analysts predict will carry a starting retail price of about \$1,000. That would be about 50% more than the cheapest version of the iPhone 7 Apple introduced last year at \$649, and about 30% more than the larger iPhone 7 Plus, at \$769. (On Tuesday, Apple also is expected to show off updated versions of those phones with prices similar to last year’s models.)

Apple’s new iPhone debut follows Samsung’s launch last month of its new high-end

Pricing Power

A decade after the iPhone’s introduction, Apple and Samsung have been steadily increasing prices



*Estimate based on projected prices for new iPhones

Note: Samsung pricing shows weighted average of Galaxy S models sold each year.

Source: BayStreet Research, LLC

THE WALL STREET JOURNAL.

phone, the Galaxy Note 8, which hits shelves Sept. 15 starting at around \$950.

Prices approaching \$1,000 are more often associated with durable kitchen appliances than with pocket-size devices people tend to replace every few years. Yet Apple and Samsung think they will be able to

sell tens of millions of smartphones at the higher price points, in part because of how vital the devices have become. Many users are willing to pay a premium for a handset that

Please see PHONE page B4

◆ Personal Technology: More Androids push the limits.... B4

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CHINA

Continued from the prior page the risk of Toshiba's chip technology being leaked to China, where Taiwan-headquartered Foxconn has vast electronics manufacturing operations.

The deal talks aren't dead, however, and Toshiba is still weighing multiple offers, including one from Foxconn.

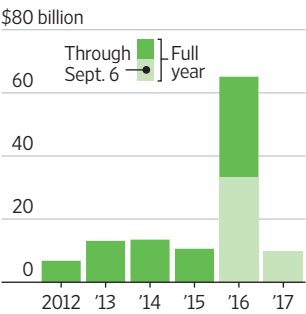
The Chinese government recently formalized rules clarifying the types of transactions companies can pursue, restricting overseas investments in industries such as property, hotels and entertainment and encouraging those in sectors such as technology. Companies were subject to even stricter regulatory scrutiny before the rules were codified. Acquisitions that are core to companies' main businesses are generally permitted and are continuing, say bankers, though deals of a certain size are being more heavily scrutinized.

Still, the guidelines, designed to stem outlandish deals and capital flight, have sharply slowed the pace of Chinese deals following a record 2016 in which state-

China's Global Buying Spree Hits Hurdles

After a record 2016 for Chinese deals in the U.S., recent difficulties are leading companies to seek out more deals in other markets. **B9**

Chinese companies' announced acquisitions and purchases of stakes in U.S. firms

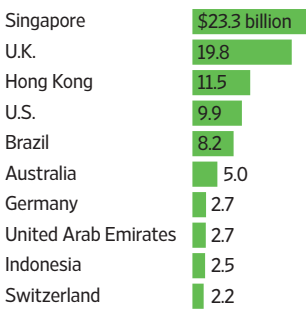


owned and private corporations announced over \$220 billion of acquisitions abroad.

China National Chemical Corp. last year announced a \$43 billion takeover of agro-giant Syngenta AG, China's biggest foreign deal to date. That deal was delayed several times due to antitrust concerns from the European Commission and closed months after had been expected.

China-U.S. merger and acquisition activity has fallen

Chinese announced outbound mergers and acquisitions by market, 2017



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more precipitously. There have been 86 announced Chinese deals in the U.S. so far this year worth \$9.9 billion, down from 118 deals worth \$33 billion in the same period last year. One reason is that the Committee on Foreign Investment in the U.S., a multiagency body that screens deals for national security concerns, has been toughening its scrutiny of Chinese deals and taking longer to approve them.

In an unusual move earlier

adding that a fellow manager had harassed female employees by making sexual or inappropriate comments. SoFi has said it investigated Mr. Charles's claims and found them to be meritless.

Less than 24 hours after Mr. Charles amended his lawsuit on Aug. 31, a company-



Outside attorneys will look into claims of sex harassment, SoFi's Michael Cagney said.

wide note sent by Mr. Cagney said that SoFi had launched an investigation into sexual-harassment claims.

Mr. Charles's lawsuit claimed that Mr. Cagney fostered a culture of "male bravado" in which sexual harassment was permitted.

A separate suit was filed last month by a group of former employees that accused

BUSINESS & FINANCE

Equifax Complaints Keep Growing

By ANNA MARIA ANDRIOTIS

Equifax Inc. struggled over the weekend with its response to its massive data breach as consumers continued to criticize the credit-reporting company's efforts and cited ongoing problems with a website set up to help them.

Regulators, meanwhile, are urging consumers to freeze their credit reports, a move some lenders fear could ding credit growth even as the finance industry struggles with the question of how to contain the potential for widespread fraud that could affect millions of Americans.

Despite Equifax's statement Friday evening that it had cleaned up many of the problems on its website, consumers said they were still receiving erroneous and confusing responses. Some said they made up fake last names and social security numbers and received responses from the site that suggest it didn't recognize they were fictitious identities.

The issues add to consumer ire over the data breach, which has exposed vital personal identification data—including social security numbers, names, addresses and dates of birth—of potentially as many as 143 million Americans. The hack is second in size to only one that was disclosed by Yahoo last year but potentially the most dangerous to date given the vital gatekeeper role firms such as Equifax play in terms of consumer credit and people's personal information.



MICHAEL MAGLE/BLOOMBERG NEWS

Consumers said they received confusing responses from Equifax.

Kris Rockwell of Atlanta on Sunday morning said she went to Equifax's website and entered random letters from the alphabet in the name field and all zeros in the social security number field. The response was that she "probably ha[d] been hacked," she said in an email. "Are they kidding us?"

Some consumers trying to visit the site also received a warning message that "attackers might be trying to steal [their] information from the website." That raised further concerns for already jittery consumers.

An Equifax spokesman said that the data file "likely contains a very limited number of names and numbers that do not connect to real people. But to reiterate, the key point is that every person potentially impacted is in the file."

Some consumers will be re-

ceiving letters in the mail from Equifax informing them that they have likely been impacted by the breach.

Meanwhile, authorities were urging consumers to do more than sign up for the free credit-monitoring service now being offered by Equifax. The office of New York Attorney General Eric Schneiderman sent an email to state residents Saturday telling them to consider placing a freeze on their credit reports. The email said it would make it harder for someone to open a new account in their name. It added that tax identity fraud was a possible result of the Equifax hack since social security numbers were compromised. Similarly, Ohio Attorney General Mike DeWine's office issued a release on Friday recommending, among other things, that consumers contact each of the

main credit-reporting firms to freeze their credit reports.

Equifax's offer of the free one-year credit monitoring service includes freezing people's credit reports at their firm but not elsewhere. Consumers would have to contact other firms on their own.

Credit freezes prevent lenders from being able to get copies of prospective customers' credit reports. That prevents swindlers from opening credit cards or other loans but also places that same limit on the legitimate customers unless they undo the freeze, says credit specialist John Ulzheimer.

For lenders, though, the prospect of millions of Americans freezing their credit raises the possibility of a crimp in lending. That could dent profits at some firms and, if the issue became widespread enough, could hamper economic growth.

At the same time, lenders have to deal with the data breach and the possibility it raises of widespread fraud. Banks and other lenders stand to incur losses on fraudulent loans and credit cards opened in consumers names with data pilfered from Equifax.

"There will be some impact on lending over time, but the more immediate challenge facing financial institutions is authentication," meaning making sure that the people who apply for loans and those using existing accounts are who they say they are, said a credit-card executive at a large bank.

JBS's Ex-Chairman Surrenders in Brazil

By LUCIANA MAGALHÃES AND JEFFREY T. LEWIS

SÃO PAULO—Joesley Batista, the former chairman of meatpacking giant JBS SA, turned himself over to Brazil's legal authorities after the country's Supreme Court approved his arrest for allegedly reneging on the terms of a

plea-bargain agreement.

High court Justice Edson Fachin approved the arrest following a request from Attorney General Rodrigo Janot, according to documents made public on Sunday.

Mr. Batista and other JBS executives signed the plea deal in April after admitting to paying millions of dollars in

bribes to nearly 2,000 Brazilian officials over at least the past decade.

The agreement granted them immunity for their criminal acts in return for their full cooperation with authorities.

Mr. Janot recently said a recording, possibly delivered by mistake along with other evidence by Mr. Batista and

executives, suggested that some of them omitted evidence and that they illegally got help from a law-enforcement official to arrange the deal.

Mr. Batista said Sunday in a note that he surrendered voluntarily and denied having omitted evidence related to his plea agreement.

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BUSINESS NEWS

Boeing to Land Big Satellite Deal

Satellite-services provider **SES SA** on Monday intends to announce a deal for a new fleet of smaller, easily reprogrammable **Boeing** Co. satellites, re-

By *Robert Wall*
in London
and *Andy Pasztor*
in Los Angeles

flecting widespread industry uncertainty about demand for global internet connectivity. The Luxembourg-based company, the world's largest commercial communication satellites operator, is opting for a less-expensive, lower-altitude design to seek an edge in the intensifying battle to beam web

\$1B

What SES expects to spend on the satellites and ground systems

access to remote regions. SES expects to spend more than \$1 billion on the seven Boeing satellites and associated ground systems. Each satellite is projected to cost less than half the amount for the biggest, high-altitude versions.

Like other parts of the satellite industry, SES faces depressed prices for its current offerings and has been hurt by growing competition from legacy rivals, as well as anticipated challenges from startups with deep pockets.

The new spacecraft, significantly smaller and more flexible than older models, are slated to be put into orbit starting in 2021. They will be deployed primarily to serve mobile users in developing regions, but with prospects for such markets still unclear, SES seeks to maximize its maneuvering room and reduce capital expenditure risks.

Chief Executive Karim Sabagh said the satellites will add

capacity and replace some bandwidth now provided by big, highflying spacecraft that need replacement. Indicating that the emphasis on smaller spacecraft built to be swiftly reconfigured in orbit is gaining momentum, he said the constellation will be “radically different” from traditional concepts because it is designed to be “more flexible and scalable.”

In an interview, Mr. Sabagh said the principle of smaller satellites, optimized to seamlessly supplement each other as customers and markets change, is “what we have been missing for three decades in our industry.”

The move comes at a time cash flow and profitability for operators is under pressure, so they generally have been reticent to make investments in large, more-expensive satellites that have traditionally dominated the telecommunications segment.

At the same time, an abundance of available bandwidth and questions about the future direction of the market have contributed to a protracted and sharp drop in orders for big satellites, some of which can cost about \$400 million to build, launch and insure.

Such procurement contracts have slumped 50% below historic levels, with Boeing and Space Systems Loral, a unit of Canada's **MacDonald Dettwiler and Associates Ltd.**, among the satellite makers that have laid off staff in recent years. Industry officials said manufacturers, SES and a big chunk of its competitors are all considering smaller, less costly models.

Budding rivals are focusing on launching swarms of hundreds—or even thousands—of still-smaller satellites to pipe fast, inexpensive connectivity to remote locations. This segment includes **OneWeb Ltd.**, the startup backed by European aerospace heavyweight **Airbus SE** and Japan's **SoftBank Group Corp.**



The retailer, with roughly 121 full-line locations, continues to open traditional department stores despite changing consumer habits.

Nordstrom's Store Gamble

New, smaller location will offer manicures, tailoring, but won't carry any clothes

By **SUZANNE KAPNER**

Nordstrom Inc. is opening a new store next month that is a fraction of the size of its typical locations, where shoppers will be able to enjoy services such as manicures and on-site tailoring. Something it won't carry: clothes.

Called Nordstrom Local, the new concept comes as retailers across the U.S. are wrestling with how to best to use their physical spaces and attract customers who are migrating to the web. For department-store chains like **Macy's Inc.**, **J.C. Penney Co.**, **Kohl's Corp.** and **Sears Holdings Corp.**, one answer has been to shrink their footprint

by closing stores or experimenting with smaller ones.

Nordstrom, with roughly 121 full-line locations, continues to open traditional department stores, including one in Toronto this coming Friday. But it also recognizes that consumer habits are changing.

“There aren't store customers or online customers—there are just customers who are more empowered than ever to shop on their terms,” said Erik Nordstrom, co-president of the retailer.

Nordstrom Local, scheduled to open Oct. 3 in West Hollywood, Calif., will span 3,000 square feet, far less than the 140,000 square feet of one of Nordstrom's standard department stores.

It will contain eight dressing rooms, where shoppers can try on clothes and accessories, though the store won't stock them. Instead, personal stylists will retrieve goods from nine

Nordstrom locations in Los Angeles, or through its website. The stylists can also pull together looks for shoppers through a “style board” app.

“Shopping today may not always mean going to a store and looking at a vast amount of inventory,” said Shea Jensen, Nordstrom's senior vice president of customer experience. “It can mean trusting an expert to pick out a selection of items.”

In addition to manicures, Nordstrom Local shoppers will be able to order wine, beer, coffee or juice from an in-store bar, and those who place orders on Nordstrom.com by 2 p.m. can pick them up there that day. They will also be able to return at the stores items that they bought online or from other Nordstrom locations. Tailors will be available for alterations or to help members of Trunk Club, an online clothing service that Nord-

strom acquired in 2014, select fabrics for custom garments.

Other retailers have experimented with inventory-free stores, including Bonobos, the men's fashion brand bought by Wal-Mart Stores Inc. over the summer. Stores such as Pirch, a purveyor of high-end home appliances and decorative plumbing, have taken the experiential route, inviting shoppers to bring bathing suits to test their \$1,000 showerheads.

For the most part, however, the traditional retail store hasn't changed much over the years. One hindrance, according to Doug Stephens, founder of the consulting firm Retail Prophet, is that Wall Street measures success by sales per square foot and other metrics that are becoming outdated in a world where shoppers still visit stores but increasingly make their purchases online.

“The economic model has to change,” Mr. Stephens said.



Domes under construction in April as part of an expansion of the tech giant's campus in Seattle.

New Amazon HQ Needs Deep, Cheap Hiring Pool

By **LAURA STEVENS**

Amazon.com Inc. is outgrowing its hometown of Seattle.

A major reason behind Amazon's new plan to build a second headquarters elsewhere in North America is the need to hire thousands more software developers. That will almost certainly be cheaper and easier in a city other than Seattle, experts say, where Amazon's growth has helped fuel soaring labor and real-estate costs and a shortage of space.

In Seattle, where Amazon has been based for more than 20 years, the retailer has opened new office buildings to accommodate its workforce, which tops 40,000. But Amazon said Thursday it seeks a new campus to eventually house 50,000 more workers.

Seattle is “just not big enough to double the size of their footprint,” says Christopher B. Leinberger, a professor at George Washington University School of Business and a nonresident senior fellow at the Brookings Institution who specializes in land use.

Amazon accounted for more than half of the Seattle office space created over the past year and a half, and the city's commercial real-estate vacancy rate is lower than the national average, according to commercial real-estate firm Colliers International. The unemployment rate for the county is below the national average, according to the latest available data. Meanwhile, home prices in Seattle have risen 47% to an average of \$667,488 since 2007, according to the Cost of Living Index by the Council for Community and Economic Research.

The online retail giant said its next headquarters should be located in a walkable transportation hub with good access to an educated workforce and universities. A second headquarters would also give Amazon a chance to spread its economic clout and political constituency. Proposals are due next month, Amazon said.

“When you think about how deep a labor market needs to be to fill that many jobs, it's much more of a con-

straint than a real-estate piece,” said Dylan Taylor, president and chief operating officer at Colliers.

That is in part why a number of tech giants including **Facebook Inc.** and **Microsoft Corp.** are opening satellite offices far from their home sites to tap talent. **Alphabet Inc.**'s Google and **Apple Inc.** have offices in Seattle to compete with Amazon for workers.

In addition, other industries like banking and retail are hiring more software developers, says Vivek Ravisankar, chief executive of developer recruitment startup HackerRank. “There are so many other states that have talent,” he said, with the fastest-growing developer activity in Hawaii, Colorado, Virginia and Maryland.

Cities and states, including Philadelphia and Minnesota, are already raising their hands to propose a site for Amazon's new headquarters. Real-estate and site-selection experts think metropolitan areas like Boston, Chicago, Dallas, Atlanta and Minneapolis might have the best chances.



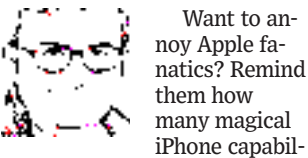
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PERSONAL TECHNOLOGY | By Geoffrey Fowler

Best Androids Raise Bar for Next iPhone



Want to annoy Apple fanatics? Remind them how many magical iPhone capabilities arrived first on Android. Big screens? Fingerprint scanners? Mobile payments? Water resistance? None of it invented in Cupertino.

Ahead of Apple's wildly hyped 10th-anniversary iPhone launch next week, three more Android phones have been pushing the boundaries of what smartphones look like and how we use them: **Samsung's** Galaxy Note 8, the Essential Phone and the OnePlus 5.

Screens are taking over. By nipping and tucking around the glass, designers have made screens longer, with more usable area. And the best screens make images look more lifelike and colorful with a tech called OLED.

Using the Note 8, which arrives Sept. 15, is the closest I've come to manipulating a sci-fi movie communicator—6.3 inches of screen, nearly without edges. It's a big part of what makes the Note 8 the best big-screen phone money can buy, especially now that Samsung appears to have put battery fire woes behind it. At \$950, the Note is also expensive overkill.

For a more pocket-friendly take on the all-screen design, the \$700 Essential phone, from a startup founded by Android's creator, wraps a 5.7-inch screen in a slim belt of titanium. It's the handsomest phone I've seen in years, though it disappears in other areas.

These designs are changing how we operate the phone. With no space on the front for a home button and fingerprint reader, unlocking has to happen elsewhere. Essential moved the fingerprint sensor to the back. Samsung



From left: Essential Phone, Samsung Galaxy Note 8, OnePlus 5, three new Android smartphones that Apple's new iPhone has to beat.

did, too, but you can also unlock the Note 8 with facial recognition or an iris scan—when they work.

If you're looking for an Android phone to buy now, or you're just keeping score, here's what I like—and don't—about the leading contenders.

Galaxy Note 8

This giant phone can chew gum and hula hoop at the same time.

Likes: If you're abandoning your laptop for a smartphone, stop here first. The Note 8's screen, about as big as an XL Hershey bar, is a no-longer-crazy way for road warriors to rock Gmail and spreadsheets simultaneously. With

the included stylus, which tucks inside the screen, scribbling notes is almost as easy as using paper.

The Note 8 stuffs in pretty much every feature somebody might want from a phone in 2017: virtual-reality capability, widely accepted mobile payments, wireless charging, an animated GIF maker—it can even become a desktop computer with a \$150 dock. And like other recent Samsung phones, it's water-resistant and allows you to add your own memory card for storage.

The Note 8 camera not only joins the multilens trend but jumps to its forefront. In my tests, the Note 8 often outperformed the iPhone 7 Plus at focusing quickly and

snapping low-light situations, though I still prefer many shots from Google's Pixel. Zoomed-in shots from the 2X telephoto lens were clear thanks to optical image stabilization. The "live focus" mode that uses depth data to artfully blur portraits had some hiccups, but no more than the iPhone 7 Plus's similar "portrait mode."

Dislikes: All that screen gobbles up battery, which lasted a ho-hum eight hours in my stress test. The fingerprint reader is poorly placed, while the facial recognition isn't fast or reliable enough. Bixby, Samsung's Siri competitor, still feels underdeveloped, though Google's Assistant is also available.

I find the Note 8 too much

phone to carry comfortably. A more slender alternative is Samsung's Galaxy S8, though photo buffs would miss the dual cameras.

Essential Phone

This attractive new model is better off in front of the camera than behind it.

Likes: The Essential has the first phone design in a while that can actually turn heads. The screen comes so close to the edge, there's a notch cut out for the front-facing camera. The ceramic back cover feels luxe and promises to last longer than other phones' scratch-prone finishes. The software is just as clean: basic Android, no bloatware. And the battery

lasted a decent nine hours in my stress test.

Essential has an interesting approach to accessories: They can snap on and draw power from the phone. But so far, there's only one, a 360-degree camera—and modular-phone efforts by LG and Motorola haven't caught on.

Dislikes: The Essential Phone doesn't actually cover the essentials. There's no headphone jack (it includes an adapter, but no headphones) and it isn't water-resistant.

The biggest problem is the camera: It's slow and struggles in low-light settings. Another disappointment: The second lens on the back is for black-and-white shots, not zoom.

OnePlus 5

It's a remarkable value, but it looks like last year's phone.

Likes: The OnePlus 5 is slim and lightweight yet packs in performance: smooth-running software, bright OLED screen and a battery that lasted a solid 9.5 hours in my tests. The dual camera also wowed, though Samsung and Apple beat it with their fancy-blur portrait mode.

What's most incredible, though, is the price: \$480, sold through the OnePlus website without the typical carrier hoopla, contracts and bloatware. In a year when premium phones aim to break the \$1,000 ceiling, the OnePlus 5 is a welcome option.

Dislikes: The thick-bordered screen looks like phones we've seen before. (Upside: There's still space for a fingerprint reader on the front.) The screen also isn't as high-resolution as the Note 8's, nor does the phone have tricks like face unlocking or wireless charging. If you want to double the default 64GB storage, the price rises to \$539.

PHONE

Continued from page B1
functions as not only a mobile phone, but also a personal computer, a video player, a gaming device, a GPS system, a music player, a reader, a flashlight and a wallet.

U.S. consumers spend more than three hours a day on average on their mobile devices, according to research firm eMarketer. Patrick Moorhead, president of Moor Insights & Strategy, said people are postponing upgrades to other gadgets so they have more to spend on smartphones.

"The utility value of these products is so, so high," said Horace Dediu, an industry an-

alyst at Asymco and a former Nokia Corp. business development executive.

The companies believe their prices are justified to pay for innovations such as longer battery life, larger displays and voice assistants. Apple's newest iPhone is expected to have components that cost about 80% more than the components in the iPhone 7, including an edge-to-edge, organic light-emitting diode, or OLED, display, wireless charging and new sensors, according to brokerage firm Susquehanna International Group.

If consumers take the new price points in stride, Apple and Samsung could widen their advantage over hundreds of smartphone rivals. Apple and Samsung claim nearly all

the industry's combined annual profits, with about 79% for Apple and 15% for Samsung, according to market researcher Strategy Analytics.

The two are defying the gravity that usually pulls consumer prices downward as innovation wanes and manufacturing costs fall. For example, average prices for TVs and laptops have fallen about 50% from their respective peaks over the past 15 years, to \$467 for TVs and \$598 for laptops, according to trade group Consumer Technology Association. Average smartphone prices have fallen 32% to \$303 in the decade since the iPhone's introduction.

The average iPhone selling price rose about 2.5% to \$645 in Apple's fiscal 2016, up from \$629 in fiscal 2009. Last

year's pricier iPhone 7 Plus with a dual-lens camera outsold its predecessor, the iPhone 6s Plus—a sign consumers are willing to pay up for performance.

79%

Apple's share of the smartphone industry's annual profits

Samsung had to pull the Galaxy Note 7 from shelves last year due to overheating batteries, but the Galaxy S7 model went on to become its top-selling phone ever. Unlike Apple, Samsung, the world's largest



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TECHNOLOGY

A Fuel App Scores Big During Shortage

GasBuddy's downloads surge as drivers affected by hurricane scramble to fill tanks

By ALISON SIDER

Miami resident Eddie Lopez needed to fuel up his car before Hurricane Irma arrived. He tried a couple of gas stations, but they were out of gasoline. Then he remembered an app he had seen on Facebook that directed him to two filling stations.

"The first one had gas and there was no line," Mr. Lopez said. "I literally put gas in in less than five minutes."

That app was GasBuddy, which bargain hunters typically use to find gas stations with the cheapest prices. GasBuddy collects data from the 70 million drivers who have downloaded it—users can report fuel prices at gas stations across the U.S., as well as in Canada and Australia.

Now Hurricane Irma is becoming a defining moment for the 17-year-old company. In re-

cent days, with many Florida stations running out of fuel as locals scramble to fill their tanks, desperate drivers are counting on GasBuddy's real-time data to locate stations that haven't been depleted.

GasBuddy on Friday was the second-most downloaded iPhone app in the U.S., up from 57th place the morning before, according to Sensor Tower Inc., a mobile-analytics firm.

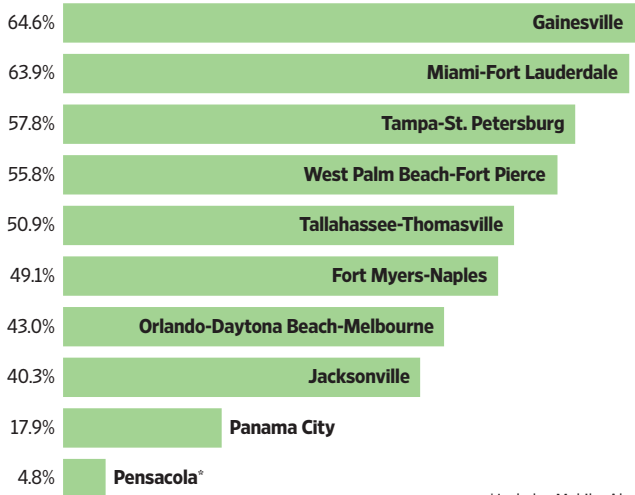
"Gas stations are closed, convenience stores are closed—those are things you don't necessarily think about all the time. But when scarcity occurs, it's scary," said Walt Doyle, GasBuddy's chief executive.

On Friday, GasBuddy flew two analysts who study petroleum markets and convenience stores to Tallahassee to help state officials direct fuel resources and help advise people on where to get fuel.

Even Gov. Rick Scott has touted the company as a way to help Floridians navigate their areas so they can fuel up and evacuate. Comments about the app at a press con-

Out of Gas

Percentage of Florida stations that lacked fuel as of Sunday morning



Source: GasBuddy

*Includes Mobile, Ala.

THE WALL STREET JOURNAL.

ference on Friday led to a surge of downloads.

Hurricane Harvey last month prompted many Texas refineries to shut down. With Hurricane Irma on the way, drivers in Florida started frantically trying to fill their tanks.

The result has been wide-

spread fuel shortages and gas lines that have stretched for miles throughout Florida.

The app doesn't usually focus on gasoline supply. But anticipating shortages from Harvey, GasBuddy activated its gas-outage tracker, which allows drivers and fuel retailers

to report whether a station has fuel and power.

Last week, GasBuddy started a similar service for diesel fuel, which is used by truck drivers as well as many emergency vehicles.

GasBuddy petroleum analyst Patrick DeHaan said he first proposed a "gastracker" function six years ago, and it was created as superstorm Sandy approached the East Coast in 2012, GasBuddy worked with New York officials and federal agencies to provide real-time information about fuel availability in Sandy's aftermath.

Rescue workers in Houston used it to figure out where to fill up boats and vehicles.

Some users have complained on social media that the app has sent them on a wild goose chase for fuel with inaccurate or dated information.

Mr. Doyle said that crowd-sourced data are "only as good as the latest post." He said the company makes an effort to verify data from users and won't post price reports submitted too far away from sta-

tions to be reliable, for example.

GasBuddy was founded in 2000 as a website to track fuel prices. The company makes money through advertising and sponsorship on its free app. It also offers a paid service to fuel marketers and retailers. The company declined to comment on its financial performance.

Sensor Tower estimates that GasBuddy was installed more than 800,000 times between Aug. 25, when Harvey made landfall, and Thursday—a more-than-sixfold increase in first-time downloads from the previous two weeks.

GasBuddy says it was downloaded 350,000 times Thursday alone, compared with 30,000 downloads on a typical day.

That has meant additional challenges for the 120 employee company based in Boston. GasBuddy has been adding features and trying to make sure the website and app keep running under the strain of additional usage.

"A lot of people are sleeping in the office," Mr. Doyle said.

MIMS

Continued from page B1

and smart-home tech from Apple, Samsung, Amazon and others, connecting them may be seamless.

Imagine downloading an entire movie in seconds. Or streaming games and 4K videos from your phone to your TV without dropping a frame. Or even wandering around the living room in a VR headset, unencumbered by a tether to some giant PC.

This is the promise of WiGig. It's described as the next generation of Wi-Fi, but that isn't accurate. Until now, each variant of Wi-Fi improved upon the last, but this one, known to nerds as 802.11ad, has a special purpose.

WiGig technology is capa-

ble of sending and receiving data at up to 8 gigabits a second—almost six times as much as the current peak. But in order to achieve superhigh transfer rates, it operates at 60 GHz, far higher in frequency than the 2.4 GHz and 5 GHz bands that we normally access. The trouble is, 60 GHz radio waves can't penetrate most walls, says Ronald Glibbery, CEO of Peraso Technologies, which makes chips that power WiGig systems.

In June, Intel and HTC demonstrated a wireless VR system they argue could be WiGig's killer app. Anyone who has tried whole-room VR knows it's annoying to have a cable snaking out the back of your head. And in environments where Wi-Fi spectrum is already impossibly crowded, such as airports or convention cen-

ters, WiGig could enable "cones" of high-speed connectivity.

A few products already support WiGig, including \$350-and-up Wi-Fi routers from Netgear and TP-Link, and a \$1,000 laptop from Acer.

Will higher-frequency microwaves be a health hazard? The Federal Communications Commission sets rules, based in part on recommendations from non-profits such as the National Council on Radiation Protection and Measurements, in an attempt to ensure that doesn't happen.

Transmitting information with light is as old as the signal fire, but transmitting high-speed data via the lights above our heads has only been possible for about five years. A handful of startups—including VLN-

Comm, Velmenni and PureLiFi—are working on systems that flicker LED lights so quickly they can transmit information at up to 43 megabits a second. The flashing of these lights is beyond human perception, tens of millions of times per second, far faster than any annoying fluorescent bulb.

As the light flickers, a sensor attached to a laptop, TV, tablet or phone picks it up and turns it back into data, like a telegraph worker translating Morse code.

While current "LiFi" is actually slower than conventional Wi-Fi, in theory it's possible to transmit a thousand times as much information via light. Just look at trans-Atlantic fiber-optic cables.

But the challenges of making LiFi work are consider-



PAU BARRENA/BLOOMBERG NEWS

PureLiFi and other startups promise fast transmission via light.

able. For one thing, there has to be a line of sight between transmitter and receiver. The upside is that putting more LiFi lights into a building won't lead to interference, like conventional

Wi-Fi. Alistair Banham, PureLiFi's CEO, says most applications in its pilot program tend to be in places where security is paramount or conventional Wi-Fi is a nuisance, like hospitals.

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MEDIA

Fox News
Ends Ties
To Anchor
Bolling

By Maria Armental

Fox News and Eric Bolling are parting ways, a month after the anchor was suspended following accusations that he sent inappropriate photos to female co-workers.

The co-host of “The Specialists” has been off the air since early August while Fox News conducted an investigation.

“Fox News Channel is canceling The Specialists, and Eric Bolling and Fox have agreed to part ways amicably,” a Fox News spokeswoman said in an emailed statement Friday.

Mr. Bolling’s lawyer, Michael J. Bowe, confirmed the agreement but declined to comment further.

Mr. Bolling’s son, Eric Chase, a sophomore at the University of Colorado in Boulder, died just a few hours after the network announced Mr. Bolling’s exit. In a tweet Saturday, Mr. Bolling said he and his wife were devastated and noted authorities are investigating, with “no sign of self harm at this point.”

Mr. Bolling was suspended after the HuffPost reported that he had allegedly sent pictures of male genitalia to female co-workers. Mr. Bolling denied the allegations.

Fox Business Network anchor Charles Payne, who had been suspended pending an investigation after he was accused of harassment, returned Friday on “Making Money with Charles Payne.”

A spokeswoman for the network said the review has been completed but declined to comment further. Mr. Payne opened his 6 p.m. show by saying “the situation has been reviewed and concluded.”

Fox News parent 21st Century Fox and Wall Street Journal parent **News Corp** share common ownership.

Box Office Needs a Hit, Gets ‘It’

Warner Bros. movie marks record opening for a horror film, with \$117.2 million in sales

By Ben Fritz

Hollywood got a much-needed jolt after a disappointing summer thanks to two letters: “It.”

The adaptation of Stephen King’s 1986 novel broke several box-office records as it opened to a massive \$117.2 million in the U.S. and Canada, according to studio estimates. “It” more than doubled the prior highest September opening, \$48.5 million for “Hotel Transylvania 2” in 2015, and the record opening for a horror movie, previously \$52.6 million for 2011’s “Paranormal Activity 3.”

Early September is typically one of the slowest times of the year at the box office. But “It” proved that in the current environment, people go to theaters not based on a calendar date but because a movie breaks into the zeitgeist and becomes must-see.

“It” has been building buzz since its first trailer, released in March, set a record with 197 million global views in one day.

Time Warner Inc.’s Warner Bros. had relatively modest expectations when it started making “It,” which is why it spent only \$35 million on production.

“In today’s theatrical marketplace you can get extremely lucky and you can get extremely unlucky,” said Toby Emmerich, president and chief content officer of Warner’s motion-picture group. “This movie will be super-profitable.”

The film’s success is good news not just for Warner, but all of Hollywood. It comes following a summer with the lowest total box-office grosses since 2006 and the smallest number of tickets sold since 1992. Many movies with well-known titles and huge budgets,



WARNER BROS./EVERETT COLLECTION

A scene from ‘It.’ The adaptation of Stephen King’s novel was a big success although Hurricane Irma caused theater closings in Florida.

like “Transformers: The Last Knight,” “The Mummy” and Warner’s “King Arthur: Legend of the Sword,” flopped when they failed to grab audiences’ attention as “It” did. A handful of hits, like “Despicable Me 3” and Warner’s “Wonder Woman,” took most of the buzz.

“It” also opened well overseas, grossing \$62 million in 46 markets and posting the highest ever horror openings in the U.K., Brazil, Russia and Australia.

The U.S. opening would have been bigger if not for Hurricane Irma. More than 175 theaters in Florida closed down over the weekend, likely costing the movie about \$5 million, said Warner’s head of domestic distribution, Jeff Goldstein.

Warner has been working on “It” since 2009, during which time the project survived multiple rewrites and a shutdown in production in 2015 just three weeks before it was to start shooting with director Cary Fukunaga. After

Estimated Box-Office Figures, Through Sunday

FILM	DISTRIBUTOR	SALES, IN MILLIONS		
		WEEKEND*	CUMULATIVE	% CHANGE
1. It	Warner Bros.	\$117.2	\$117.2	--
2. Home Again	Open Road	\$9.0	\$9.0	--
3. The Hitman’s Bodyguard	Lionsgate	\$4.9	\$64.9	-54
4. Annabelle: Creation	Warner Bros.	\$4.0	\$96.3	-47
5. Wind River	The Weinstein Co.	\$3.2	\$25.0	-49

*Friday, Saturday and Sunday Source: comScore

Mr. Fukunaga departed over creative differences, Andy Muschietti took over and shot “It” in 2016.

The prior year, Warner assigned oversight of “It” to its New Line Cinema unit. In recent years New Line has had a run of successful horror films, including “The Conjuring” series and its “Annabelle” spin-offs.

The success of “It” appears to have been driven by the fact that it is different than the se-

quels, reboots and comic-book adaptations that dominated multiplexes in the summer but still has a brand-name title.

While the book was set in the 1950s, the movie takes place in the 1980s and nostalgia for that era among adults may have also increased its appeal. Last year’s hit Netflix Inc. series “Stranger Things,” itself inspired by “It,” also took place in the 1980s. Sixty-five percent of the audience for “It” was over 25, according to

exit polls. After March’s trailer proved so popular, Warner considered moving the opening of “It” up to the summer or increasing its marketing spending but ultimately stuck with its original plans, said Mr. Emmerich. “In hindsight, that was the right call,” he noted.

Reviews were solid if not spectacular, and opening night audiences gave “It” an average grade of B+, according to market-research firm CinemaScore. Horror movies typically have limited appeal beyond fans who turn out on opening weekend and fade quickly at the box office, but it remains to be seen if “It” will adhere to conventional Hollywood wisdom in the coming weeks after shattering it while opening.

The movie adapts only part of the 1,000-plus page book, in which its main characters are children. New Line is currently working on a screenplay that adapts of the rest of the book, in which the main characters are adults.



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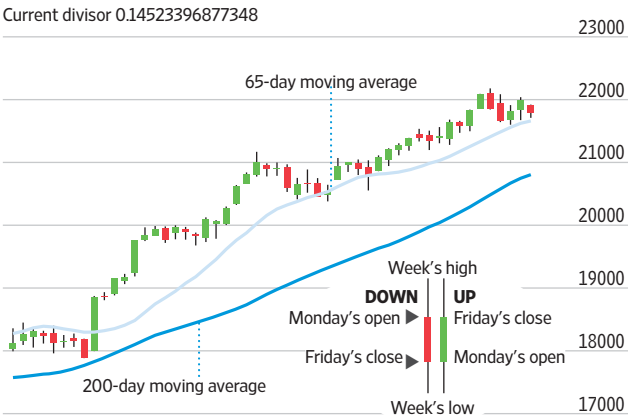
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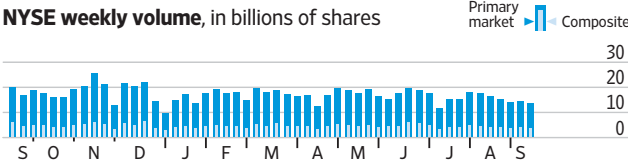
Dow Jones Industrial Average

21797.79 ▼189.77, or 0.86% last week Trailing P/E ratio 19.95 20.03
High, low, open and close for each of the past 52 weeks P/E estimate * 18.39 17.79
Dividend yield 2.36 2.56
All-time high 22118.42, 08/07/17



Bars measure the point change from Monday's open

NYSE weekly volume, in billions of shares



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	High	Low	Latest Week Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD	3-yr. ann.
Dow Jones											
Industrial Average	21921.09	21709.63	21797.79	-189.77	-0.86	17888.28		22118.42	20.5	10.3	8.4
Transportation Avg	9399.16	9237.46	9383.74	27.72	0.30	7755.40		9742.76	20.0	3.8	3.1
Utility Average	747.43	737.91	746.94	5.99	0.81	625.44		748.16	13.8	13.2	9.8
Total Stock Market	25582.51	25303.97	25444.35	-180.32	-0.70	21514.15		25692.25	15.5	9.3	6.7
Barron's 400	646.97	637.72	639.96	-7.43	-1.15	521.59		661.93	17.9	6.4	5.9

Nasdaq Stock Market											
Nasdaq Composite	6426.51	6334.59	6360.19	-75.14	-1.17	5046.37		6435.33	24.1	18.2	11.5
Nasdaq 100	5980.91	5890.25	5913.37	-74.53	-1.24	4660.46		5988.6	26.3	21.6	13.0

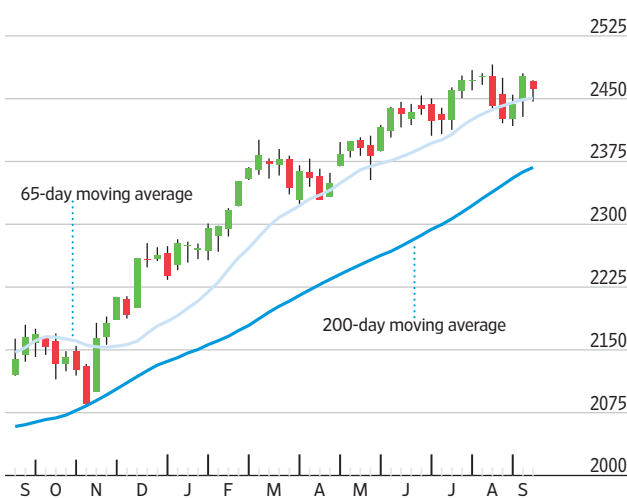
Standard & Poor's											
500 Index	2471.97	2446.55	2461.43	-15.12	-0.61	2085.18		2480.91	15.7	9.9	7.1
MidCap 400	1738.72	1707.56	1719.09	-18.70	-1.08	1476.68		1791.93	12.5	3.5	6.1
SmallCap 600	847.48	834.31	838.92	-8.13	-0.96	703.64		876.06	13.4	0.1	7.6

Other Indexes											
Russell 2000	1414.55	1393.88	1399.43	-14.14	-1.00	1156.89		1450.39	14.8	3.1	6.1
NYSE Composite	11902.44	11783.87	11887.95	-30.13	-0.25	10289.35		12000.02	12.0	7.5	2.6
Value Line	518.88	512.21	514.86	-4.02	-0.77	455.65		533.62	8.6	1.7	0.8
NYSE Arca Biotech	4237.22	4162.67	4190.58	-42.31	-1.00	2834.14		4232.9	26.4	36.3	10.4
NYSE Arca Pharma	541.13	524.07	540.30	11.69		463.78		549.2	5.2	12.2	0.9
KBW Bank	93.11	89.13	90.17	-3.51	-3.75	69.71		99.33	26.1	-1.8	7.9
PHLX [®] Gold/Silver	93.39	90.62	91.65	1.11		73.03		99.2	-1.9	16.2	-0.4
PHLX [®] Oil Service	127.96	123.69	124.84	2.39		117.79		192.66	-19.0	-32.1	-23.9
PHLX [®] Semiconductor	1116.73	1090.19	1093.49	-25.85	-2.31	768.37		1138.25	42.3	20.6	18.8
CBOE Volatility	14.06	11.32	12.12	1.99		9.36		22.51	-30.7	-13.7	-1.4

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S&P 500 Index

2461.43 ▼15.12, or 0.61% last week Trailing P/E ratio 23.82 24.86
High, low, open and close for each of the past 52 weeks P/E estimate * 18.83 18.52
Dividend yield 2.00 2.12
All-time high: 2480.91, 08/07/17



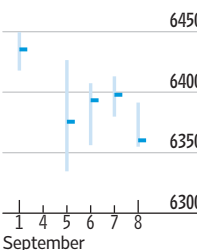
Financial Flashback

The Wall Street Journal, Sept. 11, 2008

On the seventh anniversary of the terrorist attacks, financial markets were again thrown into uncertainty by concern over Lehman Brothers, which failed on Sept. 15.

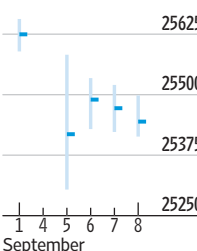
Nasdaq Composite

▼ 75.14, or -1.17% last week



DJ US TSM

▼ 180.32, or -0.70% last week



International Stock Indexes

Region/Country	Index	Close	Latest Week % chg	Low	52-Week Range Close	High	YTD % chg
World	The Global Dow	2853.39	-0.03	2390.11		2878.99	12.7
	DJ Global Index	370.92	-0.04	311.55		371.21	13.8
	DJ Global ex U.S.	252.75	0.59	206.73		252.75	18.1
Americas	DJ Americas	594.13	-0.56	503.67		597.46	9.9
Brazil	Sao Paulo Bovespa	73078.85		56820.77		73412.41	21.3
Canada	S&P/TSX Comp	14985.32	-1.36	14349.10		15922.37	-2.0
Mexico	S&P/BMV IPC	50083.80	-1.95	44364.17		51713.38	9.7
Chile	Santiago IPSA	3867.95	-1.59	3127.54		3932.62	20.0
EMEA	Stoxx Europe 600	375.51	-0.17	328.80		396.45	3.9
	Stoxx Europe 50	3058.45	0.003	2730.05		3276.11	1.6
Eurozone	Euro Stoxx	375.03	0.08	317.93		392.06	7.1
	Euro Stoxx 50	3447.69	0.11	2935.25		3658.79	4.8
Austria	ATX	3230.33	-0.89	2320.70		3280.48	23.4
Belgium	Bel-20	3938.24	0.94	3426.21		4041.03	9.2
France	CAC 40	5113.49	-0.19	4332.45		5432.40	5.2
Germany	DAX	12303.98	1.33	10259.13		12888.95	7.2
Greece	Athex Composite	802.72	-1.95	551.93		858.08	24.7
Israel	Tel Aviv	1388.09	-0.92	1363.50		1478.96	-5.6
Italy	FTSE MIB	21776.66	-0.37	16135		22048	13.2
Netherlands	AEX	518.82	0.12	439.07		536.26	7.4
Portugal	PSI 20	5101.67	-1.80	4370.84		5330.60	9.0
Russia	RTS Index	1119.61	1.73	960.32		1195.61	-2.8
South Africa	FTSE/JSE All-Share	55724.67	-1.40	48935.90		56655.88	10.0
Spain	IBEX 35	10129.60	-1.90	8607.1		11135.4	8.3
Sweden	SX All Share	557.23	-0.36	496.66		596.72	4.2
Switzerland	Swiss Market	8912.05	-0.33	7593.20		9176.99	8.4
U.K.	FTSE 100	7377.60	-0.82	6665.63		7547.63	3.3

Asia-Pacific							
Australia	S&P/ASX 200	5672.60	-0.91	5156.6		5956.5	0.1
China	Shanghai Composite	3365.24	-0.06	2980.43		3385.39	8.4
Hong Kong	Hang Seng	27668.47	-1.02	21574.76		28094.61	25.8
India	S&P BSE Sensex	31687.52	-0.64	25765.14		32575.17	19.0
Japan	Nikkei Stock Avg	19274.82	-2.12	16251.54		20230.41	0.8
Malaysia	FTSE Bursa Malaysia KLCI	1779.90	0.38	1616.64		1792.35	8.4
Singapore	Straits Times	3228.56	-1.49	2787.27		3354.71	12.1
South Korea	Kospi	2343.72	-0.59	1958.38		2451.53	15.7
Taiwan	Weighted	10609.95	0.14	8902.30		10617.84	14.7

Source: SIX Financial Information;WSJ Market Data Group

Commodities and Currencies

DJ Commodity	581.09	-1.40	-0.24	2.44
TR/CC CRB Index	181.17	0.23	0.13	-5.89
Crude oil, \$ per barrel	47.48	0.19	0.40	-11.62
Natural gas, \$/MMBtu	2.890	-0.180	-5.86	-22.40
Gold, \$ per troy oz.	1346.00	21.50	1.62	17.04

U.S. Dollar Index	91.33	-1.49	-1.60	-10.65
WSJ Dollar Index	84.49	-1.31	-1.52	-9.09
Euro, per dollar	0.8308	-0.0122	-1.45	-12.60
Yen, per dollar	107.84	-2.43	-2.20	-7.83
U.K. pound, in dollars	1.32	0.0245	1.89	6.90

		Low	52-Week Close (●)	High	% Chg
DJ Commodity	515.72			589.81	11.31
TR/CC CRB Index	166.50			195.14	-0.75
Crude oil, \$ per barrel	42.53			54.45	3.49
Natural gas, \$/MMBtu	2.56			3.93	3.32
Gold, \$ per troy oz.	1127.80			1346.00	1.20
U.S. Dollar Index	91.33			103.25	-4.22
WSJ Dollar Index	84.49			93.56	-2.34
Euro, per dollar	0.83			0.96	-6.67
Yen, per dollar	100.31			118.18	5.00
U.K. pound, in dollars	1.20			1.33	-0.54



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New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/primary exchange	Shares (mil.)	Pricing Range(\$)	Low/High	Bookrunner(s)
9/13	8/23	Social Capital Hedosophia Holdings Blank check company.	IPOA.U N	50.0	10.00/10.00		Credit Suisse
9/13	7/7	Tremont Mortgage Trust Real estate investment trust.	TRMT Nq	4.5			UBS, Citi, RBC Cptl Mkts

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Symbol	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
Sept. 11	March 15, 17	Canada Goose Holdings	GOOS	12.63	290.4	49.2	180 days
Sept. 12	March 16, 17	MuleSoft	MULE	17.00	254.2	28.5	180 days
Sept. 13	March 17, 17	ProPetro Holding	PUMP	14.00	401.9	-18.6	180 days

Sources: Dealogic; WSJ Market Data Group

IPO Scorecard

Performance of IPOs, most-recent listed first

Company IPO date/Offer price	SYMBOL	Friday's close (\$)	Offer price	% Chg From 1st-day close	Company IPO date/Offer price	SYMBOL	Friday's close (\$)	Offer price	% Chg From 1st-day close
Ranger Energy Svcs	RNGR	14.55	0.3	2.3	Redfin	RDFN	24.10	60.7	11.1
Aug. 11/\$14.50					July 28/\$15.00				
YogaWorks	YOGA	3.95	-28.3	-18.7	Sienna Biopharmaceutic	SNNA	23.91	59.4	24.2
Aug. 11/\$5.50					July 27/\$15.00				
Zealand Pharma	ZEAL	20.12	12.6	12.9	RBB Bancorp	RBB	22.51	-2.1	-3.6
Aug. 9/\$17.87					July 26/\$23.00				
Venator Materials	VNTR	21.41	7.1	3.7	PetIQ	PETQ	25.30	58.1	8.5
Aug. 3/\$20.00					July 21/\$16.00				
Clementia Pharmaceuticals	CLMT	15.99	6.6	-2.2	Calyxt	CLXT	23.31	191.4	107.2
Aug. 2/\$15.00					July 20/\$8.00				

Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Expected	Issuer/Business	Symbol/Primary exchange	Amount (\$mil.)	Friday's
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MARKETS

Chinese Authorities Set to Shut Bitcoin Exchanges

By CHAO DENG

BEIJING—Chinese authorities plan to shut down domestic bitcoin exchanges, delivering a final blow to a once-thriving industry of commercial trading for virtual currencies, which took off inside the mainland four years ago.

The country's central bank has led a draft of instructions that would ban Chinese platforms from providing virtual currency trading services, ac-

cording to people familiar with the matter. The move comes after months of scrutiny by Beijing, including a ban last week in China on initial coin offerings, a kind of fundraising via virtual currencies.

Regulators in China have been investigating the domestic market for bitcoin and other virtual currencies since the beginning of the year. For a while, officials considered enacting antimoney-laundering rules on exchanges, even circulating a draft of such

rules for the country to follow.

But the stakes for Beijing grew as prices of virtual currencies like bitcoin soared, adding to the risk of further speculation by domestic investors. Analysts and investors say one reason bitcoin prices rose last year was that Chinese people began using the asset as a way to bet that the value of the yuan would fall. Virtual currencies in theory can allow holders to bypass the traditional banking system to move money

outside of China's capital-controlled borders.

The People's Bank of China didn't respond to a request for comment.

Officials from the central bank, cyberspace administration and banking, securities and other regulatory bodies considered various options for months but ultimately came to a consensus to shut down virtual currency exchanges, said the people.

"Too much disorder was naturally a basic reason" for

the ban, said one of the people. The price of one bitcoin traded at around \$4,279 Monday morning in Beijing, down 16% from its record on Sept. 1.

Trading volumes have already plummeted in China, with authorities stepping up efforts to rein in exchanges. Analysts say more activity is moving underground, where individuals can send virtual currencies to each other using private addresses, which serve like safe-deposit boxes.

Two of the China's largest

domestic bitcoin exchanges, **Huobi** and **BTCC**, said over the weekend that regulators haven't asked them to shut down, even as speculation grows. "We're still awaiting formal notification from regulators," said BTCC Chief Executive Bobby Lee. "It's obviously a sensitive time period."

A Huobi spokeswoman declined to comment beyond the firm's press release. Another domestic exchange, **OKCoin**, didn't respond to request for comment.

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their shares back from investors who wish to cash in their holdings. **a** Rights offering announced. **b** Lipper data has been adjusted for rights offering. **c** Rights offering has expired, but Lipper data not yet adjusted. **d** NAV as of previous day. **e** T-ender offer in process. **f** NAV is converted at the commercial Rand rate. **g** Convertible Note-NAV (not marked) conversion value. **y** NAV and market price are in Canadian dollars. **NA** signifies that the information is not available or not applicable. **NS** signifies fund not in existence of entire period. **12 month** yield is computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, September 8, 2017

Fund (SYM)	NAV	Close	Disc	Ret	52 wk
					Ti
General Equity Funds					
Adams Divers Equity Fd	ADX	17.25	14.72	-14.7	23.4
Boulder Growth & Income	BIF	11.80	9.85	-16.5	22.5
Central Securities	CET	30.02	24.80	-17.4	25.3
CohSestr Oprtnrty Fd	CF	13.80	13.19	-4.4	18.3
Cornerstone Strategic	CLM	13.36	14.86	+11.2	11.1
EtnVnc TaxAdvDiv	EVT	22.17	21.76	-1.8	15.9
Gabelli Dividend & Incm	GDV	23.24	21.57	-7.2	19.1
Gabelli Equity Trust	GAB	6.35	6.36	+0.2	23.6
Genl American Investors	GAM	41.20	34.71	-15.8	18.8
Guggenheim Enhn Fd	GHM	8.72	8.52	-2.4	15.3
HnckJohn TxAdv	HTD	14.28	25.61	-3.3	15.1
Liberty All-Star Equity	USA	6.48	5.70	-12.0	22.9
Royce Micro-Cap	RMT	9.78	8.66	-11.5	20.1
Royce Value Trust	RVT	14.28	14.83	-9.6	25.9
Source Capital	SOR	43.20	38.86	-10.2	12.1
Tri-Continental	TY	28.24	25.05	-11.3	23.2

Specialized Equity Funds					
Adams Natural Rscs Fd	PEO	21.29	18.28	-14.1	-2.0
AlifnJFJ Div Invest	AFJ	14.11	12.84	-9.0	11.1
AlpInGblPrPrrp	NWP	7.25	6.55	-9.7	27.4
ASA Gbl & Prec Metals	ASA	14.51	12.82	-11.6	-12.3
BLKRR Enhn Cap Inc	CCI	16.19	15.26	-6.1	18.2
BLKRR Enhn Res Tr	BGR	14.28	17.19	-10.4	-4.2
BlackRock Enhn Gl Div Tr	BK	9.47	8.85	-6.5	20.5
BlackRock Enhn Gl Div Tr	BOE	14.36	13.27	-7.6	18.1
BLKRR Intl Grwth&Inc	BGY	6.97	6.49	-6.9	18.2
BLKRR Health Sct	BME	35.61	36.31	-2.0	15.2
BlackRock Rscs Comm Str Tr	BCI	9.92	8.77	-11.6	16.2
BlackRock Science & Tech	BST	25.95	23.85	-8.1	38.9
BlackRock Utility & Infrr	BUI	21.56	21.36	-0.9	18.7
CBREGlobalBRIEstchn	GBR	8.95	7.89	-11.8	-2.1
Central Fund of Canada	CFR	14.39	13.34	-7.3	-3.3
ClearBridge Amer Engr	CBA	8.26	NA	2.6	NA
ClearBridge Engr MLP Fd	CEM	14.85	NA	-2.1	NA
ClearBridge Engr MLP Opp	CMO	11.85	NA	-0.8	NA
ClearBridge Engr MLP TR	CTR	12.23	NA	3.4	NA
Cohen & Steers Infr Fd	UTF	26.14	23.57	-9.8	22.3
C&S MLP Incm & Engr	MIE	11.01	10.32	-6.3	5.0
Cohen & Steers Qual Inc	RQI	13.70	12.76	-6.9	4.3
CohnStersPfdInc	RNP	22.92	21.12	-7.9	12.0
Cohen & Steers Tr RFI	RFI	13.55	12.69	-6.3	3.0
CLSelmgPrem Tech Gr Fd	STK	20.59	21.25	+3.2	32.9
Divers Rel Asset Incm Fd	DRA	19.63	18.15	-7.5	14.7
Duff & Phelps	DNP	10.18	11.39	+11.9	16.9
Duff&PhelpsGblUltIncf	DPG	18.46	16.66	-9.8	6.5
Eaton Vance Eqty Inco Fd	EOI	14.21	13.38	-5.8	13.3

Insider-Trading Spotlight

Trading by 'insiders' of a corporation, such as a company's CEO, vice president or director, potentially conveys new information about the prospects of a company. Insiders are required to report large trades to the SEC within two business days. Here's a look at the biggest individual trades by insiders, based on data received by Thomson Financial on September 8, and year-to-date stock performance of the company.

KEY: B: beneficial owner of more than 10% of a security class **CB:** chairman **CEO:** chief executive officer **CFO:** chief financial officer **CO:** chief operating officer **D:** director **DO:** director and beneficial owner **GC:** general counsel **H:** officer, director and beneficial owner **I:** indirect transaction filed through a trust; insider spouse, minor child or other **O:** officer **OD:** officer and director **P:** president **UT:** unknown **VP:** vice president Excludes pure options transactions

Biggest weekly individual trades

Based on reports filed with regulators this past week

Date(s)	Company	Symbol	Insider	Title	No. of shrs in trans (000s)	Price range (\$)	\$ Value (000s)	Close (\$)	Ytd (%)
Buyers									
Aug. 30-31	Tiffany & Co	TIF	F. Trapani	DI	76	87.86-90.53	6,746	93.16	20.3
Sept. 1			F. Trapani	DI	25	91.84	2,296		
Aug. 1	Bank of The Ozarks	OZKR	R. Whipple	D	50*	43.39	2,170	40.94	-22.2
Sept. 1	Coty Inc	COTY	L. Kleitman	O	120	16.50	1,980	16.47	-10.0
Sept. 1			S. Froidefont	O	17	16.60	280		
Sept. 1-6	Fiesta Restaurant Group	FRGI	B. Friedman	DI	85	17.00-18.20	1,484	15.90	-46.7
Sept. 1	Annaly Capital Management	NLY	D. Finkelstein	C	100	12.49	1,249	12.35	23.9
Aug. 31	LendingTree	TREE	G. Thompson	D	5	230.91	1,155	230.25	127.2
Aug. 31	Franklin Street Properties	FSP	D. Mcgilllicuddy	DI	100	9.88	988	9.94	-23.3
Aug. 31-Sept. 1	First Data	FDC	J. Shanahan	O	34	18.44-18.47	632	18.49	30.3
Sept. 5-6	Genesco	GCO	R. Dennis	CEO	25	23.57-24.75	595	24.95	-59.8
Sept. 6			M. Vaughn	CFO	10	24.16	242		
Aug. 30-31	Altisource Portfolio Solutions	ASPS	O. Kramer	DI	25	22.24-22.74	559	23.60	-11.2
Aug. 31	W&T Offshore	WTI	T. Krohn	CEO	271	1.90	516	1.90	-31.4
Sept. 6	Brinker International	EAT	M. George	D	16	30.31	499	30.55	-38.3
Aug. 31-Sept. 1	American Assets Trust	AAT	E. Rady	CEO	10	40.54-40.65	388	40.72	-5.5
Sept. 1	Prospect Capital	PSEC	B. Oswald	CFO	50	6.69-6.73	336	6.80	-18.6
Sept. 5	PG&E	PCG	R. Kimmel	DI	4	69.68	279	70.64	16.2
Sellers									
Aug. 30-Sept. 1	Wal-Mart Stores	WMT	S. Walton	DOI	2,118	78.28-78.73	166,154	78.88	14.1
Aug. 30-Sept. 1			A. Walton	BI	2,118	78.28-78.73	166,154		
Aug. 30-Sept. 1			J. Walton	BI	2,118	78.28-78.73	166,154		
Sept. 5-6			S. Walton	DOI	1,652	78.70-79.95	131,108		
Sept. 5-6			A. Walton	BI	1,652	78.70-79.95	131,108		
Sept. 5-6			J. Walton	BI	1,652	78.70-79.95	131,108		
Aug. 30-31	Facebook	FB	J. Koum	DI	641	170.02-172.09	109,699	170.95	48.6
Aug. 31-Sept. 5	Willis Towers Watson	WLTS	J. Ulberstein	DI	216	148.01-148.87	32,106	151.84	24.2
Aug. 31-Sept. 5	Glaxo	GKOS	S. Shivan	DI	580	37.72-40.77	22,473	42.00	22.4
Sept. 5	Laboratory Corporation of America Holdings	LH	D. King	CEO	133	157.06	20,843	157.55	22.7
Aug. 31-Sept. 1	IVF Corp	VFC	E. Wiseman	CB	290	63.00-63.31	18,316	62.48	17.1
Sept. 1	ServiceNow	NOW	F. Sloatman	D	150	115.26-115.65	17,307	116.40	59.6
Aug. 31-Sept. 1	Match Group	MTCH	S. Yagan	D	685	21.76-22.34	15,026	22.17	29.6
Sept. 1	TE Connectivity	TEL	T. Lynch	OD	186	79.29	14,750	78.93	13.9
Aug. 30	Zayo Group Holdings	ZAYO	D. Carruso	CEO	295	33.89	10,000	34.13	3.9
Aug. 31-Sept. 1	Flir Systems	FLIR	T. Sarano	CO	261	38.12-38.34	9,996	38.06	5.2
Aug. 31	Hasbro	HAS	A. Hassenfeld	DOI	100	96.63-98.03	9,702	94.09	21.0
Sept. 1	Workday	WDAY	A. Bhushi	CEO	75	108.94-109.38	8,173	107.90	63.3

* Half the transactions were indirect ** Two day transaction
p - Pink Sheets

Buying and selling by sector

Based on actual transaction dates in reports received this past week

Sector	Buying	Selling	Sector	Buying	Selling
Basic Industries					
Business services	169,673	7,605,431	Finance	7,696,088	65,108,393
Capital goods	290,903	10,709,639	Health care	252,437	115,651,363
Consumer durables	0	0	Industrial	18,048	41,197,250
Consumer nondurables	12,300	10,892,815	Media	0	1,809,822
Consumer services	836,750	23,722,162	Technology	524,043	71,887,101
Energy	917,261	33,183,927	Transportation	0	1,801,587
	526,568	3,294,293	Utilities	367,788	1,037,596

Sources: Thomson Financial; WSJ Market Data Group

Fund (SYM)	NAV	Close	Disc	Yld	Prem12 Mo
Nuveen High Incm Dec18	JHA	10.13	10.03	-1.0	5.5
Nuveen High Incm Dec19	JHD	10.30	10.20	-1.0	5.9
Nuveen High Incm Nov 2021	JHB	10.17	10.06	-1.1	5.4
Pioneer High Income Trust	PHT	10.76	9.85	-8.5	8.7
Prud Gl Shrt Dur Hy Yld	GHY	16.54	14.81	-10.5	7.8
Prudent Sh Dur Hy Yld Fd	ISD	16.74	15.18	-9.3	7.9
Wells Fargo Incm Opps Fd	EAD	9.31	8.54	-8.3	9.0
Wstm Asset Gbl Hl Inco	EHI	NA	10.18	NA	9.4
Wstm Asset High Inc1	HIX	NA	7.13	NA	8.9
Wstm Asset Opp Fd	HIO	NA	5.08	NA	7.4
West Ast HY Def Opp Fd	HYI	NA	15.34	NA	8.0
Other Domestic Taxable Bond Funds					
Apollo Tactical Incm Fd	AIF	17.48	16.20	-7.3	8.9
Ares Dynamic Credit Alloc	ARDC	NA	16.23	NA	7.5
Barings Corp Investors	MCI	NA	15.96	NA	3.8
BlackRock Multi-Sector IT	BIT	19.89	18.29	-8.0	9.6
BlackRock Taxable Mun Bd	BBN	24.09	23.90	-0.8	6.6
Doubleline Opport Credit	DBC	22.61	24.53	+8.5	8.1
Duff & Phelps Ulti & Cp Bds	DBL	9.88	9.29	-6.0	6.4
EtnVncLd Fd	EVV	15.12	13.89	-8.1	7.2
Franklin Ltd Duration Fd	FTF	NA	11.89	NA	10.6
Guggenheim Taxable Mun	GBAB	23.74	23.23	-2.1	6.5
Invesco High Incm 2023	HIT	18.62	10.22	-11.1	NS
John Hancock Investors	JHI	18.62	18.05	-3.1	7.1
KKR Incm Opps Fund	KIO	NA	17.44	NA	9.1
MFS Charter	MCR	9.39	8.61	-8.3	8.6
MFS Multimkt	MMT	6.72	6.21	-7.6	8.6
Nuveen Build Am Bd Fd	NBB	22.59	21.92	-3.0	5.7
PIMCO Corporate & Incm	PTY	NA	16.76	NA	10.3
PIMCO Corporate & Incm	PCN	NA	16.99	NA	10.5
PIMCO Hlnco	PHK	NA	8.38	NA	12.7
PIMCO Inco Str Fd	PFL	NA	12.15	NA	8.9
PIMCO Incm Strategy Fd	PFN	NA	10.58	NA	9.0
Putnam Mas Inc	PIM	4.99	4.74	-5.0	6.6
Putnam Premier Income Tr	PPT	5.52	5.37	-2.7	5.7
Wells Fargo Multi-Sector	ERC	14.60	13.34	-8.6	8.9

World Income Funds					
Aberdeen Asia-Pacific	FAX	5.66	5.14	-9.2	8.1
Etn Vnc Short Dur Fd	EVG	NA	14.38	NA	7.0
Legg Mason BW Gbl Inc	BWG	NA	13.65	NA	6.6
Msm EmtMktDnDebt	EDD	9.35	8.27	-11.6	8.4
PIMCO Dynamic Credit	PCI	NA	22.51	NA	11.4
PIMCO Dynamic Income Fund	PDI	NA	30.20	NA	13.4
PIMCO Income Opportunity	PKO	NA	25.82	NA	10.0
PIMCO Strat Income Fund	RCS	NA	9.98	NA	9.0
Templeton Emerging	TEI	13.09	11.42	-12.8	5.3

MARKETS

Africa Sugar Farmers to Lose EU Support

Bloc to eliminate production limits that benefited imports at end of September

By ALEXANDRA WEXLER

SIPHOFANENI, Swaziland—When the European Union deregulates its sugar market at the end of September, some of the biggest losers will be in the lush hills of this tiny landlocked nation.

More than 8,000 miles from

COMMODITIES

Brussels, Swaziland's sugar farmers for over

a decade have benefited from the EU's tight grip on domestic production of the sweetener. Caps on annual production in European countries helped keep prices artificially high and created a market for imports, especially from poor countries that are freed from tariffs. Currently, more than half of the EU's raw sugar comes from Africa.

"It was so easy," said Oswald Magwenzi, managing director of Ubombo Sugar Ltd., one of three sugar mills in Swaziland. "People used to always say in the sugar industry, sell 50% [regionally] and 50% to the EU and go fishing. It was lucrative."

But with EU production limits set to fall away on Sept. 30, governments and sugar associations expect farmers from France to Poland to boost production and cut their costs. That would largely crowd out producers such as Swaziland, one of the world's few remaining absolute monarchies. The U.S. Depart-



ALEXANDRA WEXLER/THE WALL STREET JOURNAL

Sugar-cane fields in Swaziland, which is Africa's largest exporter of the sweetener. The industry is the country's largest employer.

ment of Agriculture forecasts that in the year after the caps are removed, EU sugar production will be 30% higher than it was in the 2015-16 season.

About three-quarters the size of New Hampshire and with a population of just 1.3 million, Swaziland has been punching far above its weight in the African sugar market. It is the continent's largest sugar exporter and depends on the sweetener for three-quarters of agricultural output and 35% of manufacturing output. The industry is also the largest employer in the private sector.

"The whole economy is dependent on sugar," said Phil Mnisi, chief executive of the Swaziland Sugar Association, an organization that oversees production, processing and marketing of sugar.

A nation with an average life expectancy of 59 years, an HIV infection rate of 29% among people ages 15 to 49 and an average annual income of \$2,830, Swaziland can't afford to let its sugar industry sour.

Compounding the threat to Swaziland's sugar farmers is that the country has been struggling to assert itself out-

side the EU. More than 100 countries, from Cuba to India to Russia, produce sugar from sugar cane and sugar beet. Many of them are able to undercut the prices demanded by Swazi farmers, who receive no subsidies from their government, in markets such as West Africa and the Middle East.

"The global sugar market has become a maze of policies so distorting that it's hard to even refer to it as a market," said Tom Giovanetti, president of the Institute for Policy Innovation, a public-policy research organization based in Dallas.

The EU says it is helping poor countries adapt to the new rules. Since 2006 it has given €1.2 billion (\$1.4 billion) to farmers in 18 countries to either refocus their sugar industries or diversify away from the sweetener. Mauritius, for instance, decided to manufacture and export specialty sugar that it markets to health-conscious consumers in the U.S. and elsewhere as raw, and therefore less-processed, than refined white sugar.

Swaziland received more than €112 million of the EU funds and developed about

19,000 acres of land under sugar cane, constructed 27 miles of roads in sugar-growing areas, and built two bridges and extra irrigation capacity.

The aim, according to the Swaziland Sugar Association, was to increase the amount of sugar it sold to regional markets such as Kenya, as prices dropped in the EU ahead of the deregulation. Ubombo, which is majority-owned by Illovo Sugar Ltd., Africa's biggest sugar company and a subsidiary of Associated British Foods PLC, once received €650 for each ton of sugar it sent to the EU. Recently, it got €420 a ton.

The diversification strategy has had some success. Since the EU officially announced its deregulation plans in 2013, the association has reduced its dependency on the EU, with the 28-country bloc now accounting for 20% of exports, from 50% a few years ago. But the shift has squeezed profits—just as the country tries to recover from a drought that severely reduced output.

Swaziland's sugar farmers, many of whom work just a few acres of land, are trying to adjust to the new environment. Phumzile Ngcamphalala is the vice president of a collective of 30 local farmers that switched from growing cotton to sugar cane in 2010. With the help of a grant from the EU, they installed a new irrigation system that allowed them to plant the less labor-intensive crop.

Now, Ms. Ngcamphalala and other members of the collective worry that the better lives they have made for themselves through sugar farming could be threatened. "We may want to grow other crops," she says.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	YTD chg per US\$	US\$/ % chg
Americas			
Argentina peso	.0580	17.2387	8.6
Brazil real	.3239	3.0872	-5.2
Canada dollar	.8225	1.2159	-9.5
Chile peso	.001613	620.10	-7.4
Colombia peso	.0003441	2905.84	-3.2
Ecuador US dollar	1	1	unch
Mexico peso	.0565	17.131	-14.6
Peru new sol	.3095	3.232	-3.6
Uruguay peso	.03478	28.7500	-2.0
Venezuela b. fuerte	.099180	10.0827	0.9
Asia-Pacific			
Australian dollar	.8055	1.2415	-10.6
China yuan	.1543	6.4817	-6.7
Hong Kong dollar	.1280	7.8133	0.7
India rupee	.01564	63.945	-5.9
Indonesia rupiah	.0000757	13204	-2.4
Japan yen	.009273	107.84	-7.8
Kazakhstan tenge	.002981	335.50	0.5
Macau pataca	.1247	8.0188	1.3
Malaysia ringgit	.2381	4.2001	-6.4
New Zealand dollar	.7261	1.3772	-4.6
Pakistan rupee	.00950	105.310	0.9
Philippines peso	.0197	50.827	2.5
Singapore dollar	.7453	1.3417	-7.3
South Korea won	.0008834	1131.94	-6.3
Sri Lanka rupee	.0065454	152.78	2.9
Taiwan dollar	.03333	30.006	-7.5
Thailand baht	.03019	33.120	-7.5

Country/currency	Fri in US\$	YTD chg per US\$	US\$/ % chg
Europe			
Vietnam dong	.00004400	22726	-0.2
Europe			
Czech Rep. koruna	.04608	21.701	-15.5
Denmark krone	.1617	6.1827	-12.5
Euro area euro	1.2037	.8308	-12.6
Hungary forint	.003926	254.68	-13.5
Iceland krona	.009446	105.86	-6.3
Norway krone	.1292	7.7402	-10.5
Poland zloty	.2835	3.5273	-15.8
Russia ruble	.01744	57.325	-6.4
Sweden krona	.1261	7.9314	-12.9
Switzerland franc	1.0591	.9442	-7.3
Turkey lira	.2931	3.4117	-3.2
Ukraine hryvnia	.0384	26.0650	-3.8
UK pound	1.3197	.7577	-6.5
Middle East/Africa			
Bahrain dinar	2.6519	.3771	-0.02
Egypt pound	.0567	17.6330	-2.8
Israel shekel	.2853	3.5052	-8.9
Kuwait dinar	3.3241	.3008	-1.6
Oman sul rial	2.5971	.3850	0.02
Qatar rial	.2703	3.700	1.6
Saudi Arabia riyal	.2666	3.7503	-0.01
South Africa rand	.0773	12.9376	-5.5
Close NetChg %Chg YTD%Chg			
WSJ Dollar Index	84.49	-0.21-0.24	-9.09
Sources: Tullett Prebon, WSJ Market Data Group			

Reinsurers on Hook for Damages

By LESLIE SCISM

A global array of reinsurance companies will bear the financial brunt of Hurricane Irma's damage to potentially millions of homes across Florida.

Irma's winds are expected to leave tens of billions of dollars in insured damage. And when the insurance money arrives for many homeowners, much of it will be via reinsurance companies—not the carrier on their contract.

Reinsurers play an especially large role in Florida's home-insurance market. Andrew, Katrina and other severe hurricanes from 1992 through 2005 devastated the state's insurance marketplace. Most brand-name national home insurers sharply reduced their presence.

Picking up the slack today is a state-run "insurer of last resort," Citizens Property Insurance Corp., and some 50 small to midsize home insurers.

Those carriers all are required to buy ample amounts of reinsurance to help ensure they have money for their policyholders, because they don't have the fat capital cushions of the national carriers. These reinsurance firms are specialty insurers that take on the risk of some of the policies sold by primary insurers. They send insurers money to help pay claims once claims reach contractual, designated levels.

As a result, the reinsurers "might end up holding the bag" for much of Irma's damage to residential properties, said Taoufik Gharib, a senior director at Standard & Poor's Global Ratings.

In addition to reinsurance, the U.S. government's National Flood Insurance Program will face payouts to those homeowners who hold its policies. Under standard homeowners contracts, insurers cover wind damage but exclude flooding. Much of Irma's damage is expected to come from storm surges.

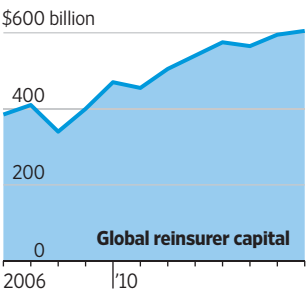
The use of so much reinsurance introduces a few worries into the marketplace. The home insurers are exposed to potential disputes with their reinsurers over claims payments, industry analysts note. It also ties the home insurers' fates to the financial health of their reinsurers.

Irma's arrival is well-timed from one perspective: The global reinsurance industry is awash in capital. As of March, it had a record \$605 billion capital cushion, which was built up thanks in large part to relatively few major natural disasters in the U.S. since 2005.

"Every company in Florida has reinsurance," said Joseph Petrelli, president of Demotech Inc., an insurance ratings firm with a specialty in Florida's homeowners market. "They buy reinsurance for multiple storms, and it is across the en-

Bulking Up

A long period with relatively few large insurable disasters has fueled a significant increase in reinsurance-industry capital.



Note: Data for 2017 through June 30. Source: Aon Benfield Analytics

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tire season."

The national carriers now account for only about one-fifth of Florida's market, far less than the more than half they commanded in 1992, according to S&P. The replacements include such companies as Universal Insurance Holdings Inc., Heritage Insurance Holdings Inc. and HCI Group Inc.

The state runs a reinsurance company itself, the Florida Hurricane Catastrophe Fund, that provides much of the reinsurance. The next-biggest providers to insurers in the state are Lloyd's of London, Bermuda-based Everest Re Group Ltd., Germany-based Allianz SE and Tokio Marine Holdings Inc. in Japan, according to Fitch Ratings.

Many reinsurers that sell to Florida's home insurers are in Bermuda, which has grown into a global reinsurance capital in part by specializing in the state's hurricane risk.

In at least one instance, the reinsurance comes from Omaha, Neb. HCI Group Chief Executive Paresh Patel says a unit of Berkshire Hathaway Inc. is one of its several reinsurers.

The heavy reliance on this behind-the-scenes backstop community sent reinsurance stocks tumbling over the past week as Irma's power grew, while well-known national homeowners insurers like Allstate Corp. were down more modestly.

Many reinsurers fell sharply last week, when fear about Irma's danger to Florida began growing. Among the big decliners were Axis Capital Holdings Ltd., Aspen Insurance Holdings Ltd., and Validus Holdings Ltd.

Many analysts say Harvey and Irma and other disasters this year would need to top \$100 billion in insured damage before prices would harden, given how much capital there is.

Risk-modeling firms estimate that insured damage from Harvey will be between \$25 billion and \$35 billion, while some early estimates put Irma's in the tens of billions of dollars also.

—Nicole Friedman contributed to this article.

1.6%

The percentage that shares of Apple have fallen, on average, the week after a new iPhone release

Apple's Next-Day Blues

Investors will focus this week on the biggest U.S. company by market capitalization.

Apple Inc. is expected to roll out three new iterations of its popular iPhone on Tuesday, including a larger and more expensive 10th anniversary showcase edition and updates to

MONEYBEAT

its two iPhone 7 models that started selling last year.

Excitement for the unveiling has grown all year among investors. The stock is up 37% in 2017, nearly four times the gain of the broader S&P 500 index.

The stock has gained 21% on average in the six months leading up to past iPhone launches.

But history suggests that the momentum is likely to fade after Tuesday. In the week after a new launch, Apple shares have averaged a 1.6% fall, according to The Wall Street Journal's Market Data Group.

September, when Apple has rolled out new iPhones in recent years, is a historically tough month for Apple's stock. It has

averaged a 4.2% drop during the 36 Septembers since it went public, according to Schaeffer's Investment Research. The

Such performance matters for investors in more than just Apple. The company, valued at \$819 billion, makes up 3.9% of the market value of the S&P 500, the highest of any of the index's companies.

A disappointing launch could be drag on major U.S. stock indexes during an already-volatile month. The S&P 500 is down slightly in September as investors fret about a range of issues from North Korea to soft inflation readings to hurricanes.

Apple has tended to rebound pretty quickly from a post-iPhone launch slump. A month after the release, shares gain 1.3% on average, and six months later they are up almost 14%.

—Ben Eisen

ONLINE



For more MoneyBeat blog posts, go to blogs.wsj.com/MoneyBeat

THE TICKER | Market events coming this week

Monday		
No major events are scheduled		
Tuesday		
Short-selling reports		
Ratio, days of trading volume of current position, at Aug. 15		
NYSE	5.1	
Nasdaq	4.4	
Wednesday		
Mort. bankers indexes		
Purch., previous	up 1%	
Refinanc., prev.	up 5%	
EIA status report		
Previous change in stocks in millions		
of barrels		
Crude oil	up 4.6	
Gasoline	down 3.2	
Distillates	down 1.4	
Producer-price index		
All items, July	down 0.1%	
Aug., expected	up 0.3%	
Core, July	down 0.1%	
Aug., expected	up 0.2%	
Thursday		
Initial jobless claims		
Previous	298,000	



TED S. WARREN/ASSOCIATED PRESS

Technology giant Oracle is scheduled to report quarterly earnings on Thursday.

Expected	305,000	Consumer-price index	Earnings expected*
		All items, July	Estimate/Year Ago(\$)
		Aug., expected	up 0.1%
		Core, July	up 0.4%
		Aug., expected	up 0.1%
		Oracle	0.60/0.55

EIA report: natural gas
Previous change in stocks in billions of cubic feet

* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) ♦ ADJUSTED FOR STOCK SPLITNOTE: FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

MARKETS

THE DAILY SHOT | By Lev Borodovsky and Amrith Ramkumar

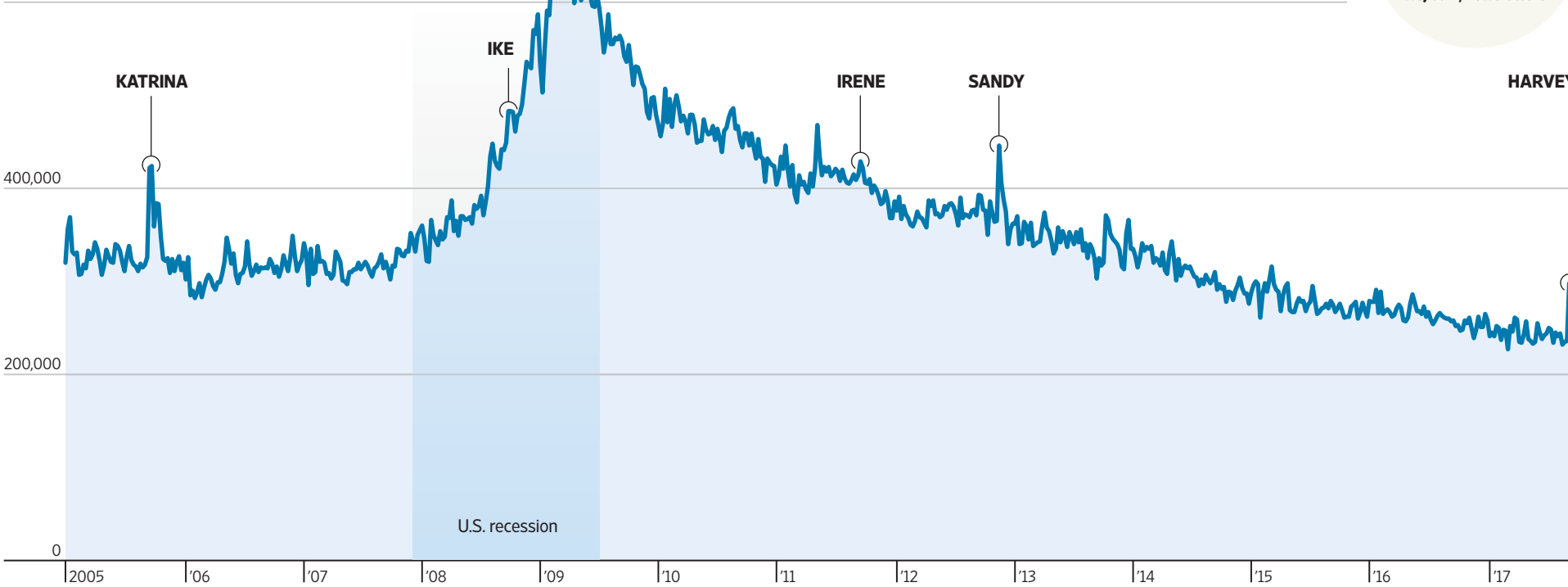
Storms Ripple Through the Markets

How hard will the one-two punch of Hurricanes Harvey and Irma hit the U.S. economy? While past storms haven't changed the trajectory of the national economic expansion, the scale of potential disruption is evident in the sharp increase in jobless claims that typically accompanies a major weather event.

Initial jobless claims, weekly

With spikes following major weather events

600,000 claims

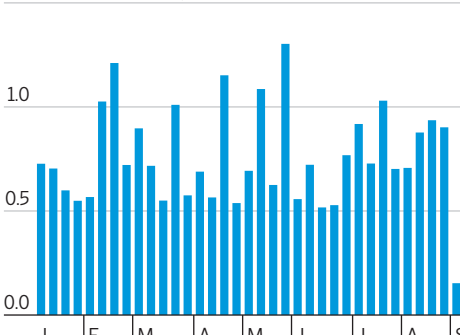


WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at wsj.com/newsletters

Also worth watching: the ripples evident in the markets for energy and local agriculture, including a sharp falloff in U.S. oil exports and rising prices for cotton and orange juice.

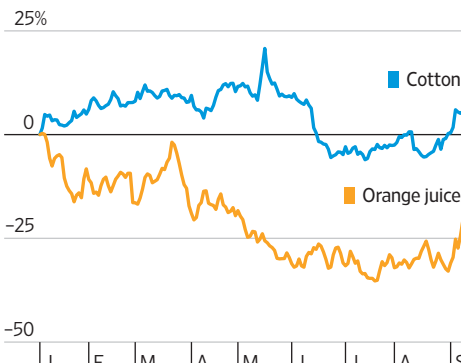
U.S. crude-oil exports, weekly

1.5 million barrels a day



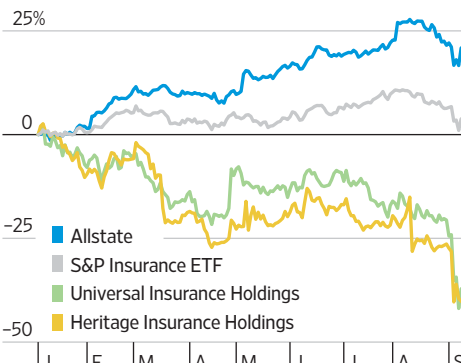
Commodity futures

Price performance, year to date



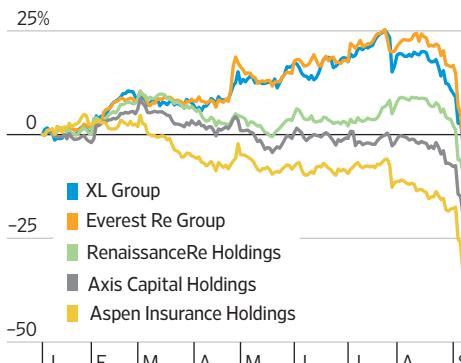
Home insurers

Share-price performance, year to date



Reinsurance and specialty-insurance sellers

Share-price performance, year to date



Sources: U.S. Department of Labor (claims); U.S. Energy Information Administration (exports); FactSet (price performance)

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FINANCIAL ANALYSIS & COMMENTARY

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Same Old Trap Has Miners at Risk

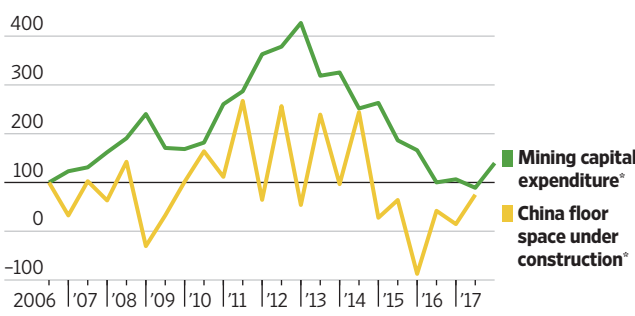
Commodity powerhouse Australia has always been lucky, but the past few months have been particularly kind. Copper, coal and aluminum prices are all at or near multiyear highs—with iron ore not far behind—and big miners' profits and share prices are riding high too.

That is a welcome change after years of disappointment for mining investors. The cloud looming over recent stellar results from the likes of **Rio Tinto**, **Anglo American** and **BHP** is that they are falling into a familiar trap: namely, using high commodity prices as an excuse to spend more just at the wrong time in the cycle. Aggregate capital expenditures from the Big Five miners—which also include **Glencore** and Brazil's **Vale**—are set to rise sharply for the first time since the commodity crash.

That renewed investment push comes as the biggest source of demand for industrial metals, the Chinese real-estate sector, is showing signs of weakness following

Bumpy Road

Indexes, 2006=100



*December 2017 figure is estimated. **Net increase from a year earlier.

Sources: Factset, Thomson Reuters, CEIC, company documents

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big growth over the past 18 months.

Sure, mining investment is rising from very low levels following years of belt-tightening, which means metals markets remain in balance for now. But if miners keep ramping up at current levels next year, there is a real danger of another tumble in prices in the next couple of years.

There is some logic to the price gains for metals so far

this year, with demand strong and investment in new supply low. Chinese property investment was galloping along at growth rates of more than 10% by late 2016, levels not seen since before the commodity crash. Total capital expenditure by the Big Five global miners meanwhile languished at around \$8 billion in the first half of 2017—about one quarter of the boom-time levels of 2011 and 2012.

The bad news is that miners' guidance implies a roughly 30% rise in capital expenditure in the second half of 2017—the sharpest on-year rise since 2012—just as Chinese real estate is starting to look wobbly. Property investment in China grew at its slowest pace in more than a year in July.

Hot weather may have played a role, but if August data show investment weakening again, demand for iron ore and copper will inevitably start to follow. China trade data released Friday painted a mixed picture: Copper ore and coal imports dropped on the year, while iron-ore imports grew, albeit weakly.

Industrial metals haven't yet lost their shine, but the mining sector has a history of misreading China to catastrophic effect.

If capital expenditures keep rising at the same rate next year, it might be time for investors to sell those shares while they are still glittering.

—Nathaniel Taplin

OVERHEARD

Bankers in continental Europe are outdressing their rivals in the U.K. and U.S. That is the not-so-shocking take-away from a poll of financial professionals on their work dress codes by Emolument, a London-based salary-benchmarking site.

In Italy and France, 42% and 24% of financial professionals respectively said they are required to wear a jacket and tie, or high heels, even away from client meetings. The results for the U.K. and the U.S. were 17% and 10%.

Climate likely plays a role, with 94% of professionals going jacketless in sweltering Singapore.

Among individual banks in the survey, **BNP Paribas** appears to be most formal, with 37% of bankers donning ties and jackets outside client meetings, and 20% saying that the bank imposes limits on their color selections.

Barclays is most laid back, with just 14% going formal when not with clients, and none facing color restrictions.

A Videogame Maker Ready For a Fight

By JACKY WONG

To videogamers, Japan is known as the land of Pac-Man and Super Mario. The country no longer dominates videogames, but some companies are worth a look from investors. **Capcom** is one of them.

The Japanese game maker is behind franchises such as "Street Fighter" and the horror-themed "Resident Evil 7." The company's U.S. sales grew 62% last year and are expected to rise 40% this year.

The company, however, has missed the mobile-game revolution. Capcom made less than 10% of its gaming revenue from mobile in the last fiscal year. For **Square Enix** and **Konami**, its rivals in Japan, the ratio is more than 40%. Shares of both companies have tripled over the past five years as earnings soared, while Capcom's have gone up 80% and profit has been stagnant.

But that could be about to change. Having failed to produce its own hits, Capcom intends to outsource mobile-game making to other developers by licensing its intellectual property. The first mobile game under the new model is under way. Since Capcom's operating profit was just \$126 million in its latest fiscal year, a hit title could boost that figure by 20% to 30%.

Capcom's stock trades at 15 times forward earnings, lower than its peers. Any success in mobile would likely boost the shares. **Nintendo's** share price, for example, exploded last summer when "Pokémon Go", a game developed by companies it owns, became an instant hit around the globe.

Capcom sits on a trove of valuable intellectual property. Its latest mobile strategy could be the key to unlocking it.

—Jacky Wong

Can the New iPhone Push Apple's Value Above \$1 Trillion?

Only **Apple Inc.** gets to decide what to charge for its new iPhone, but investors will get to decide what the new flagship is worth. That could be a trillion-dollar question.

The market value of the world's most valuable company already has surged 35% this year, to around \$820 billion, ahead of Apple's expected introduction of the new iPhones on Tuesday. That means the stock needs to gain a further 22% to get Apple's market value to the \$1 trillion mark. And, while its heavy dependence on the iPhone has made Apple's stock rather cyclical over the past five years, the price

tends to go up instead of down in the immediate months that follow a launch of new devices.

The comparison that most readily springs to mind is the iPhone 6. Apple's stock price had jumped nearly 30% over the previous six months by the time that version was introduced on Sept. 9, 2014. A larger screen kicked off a strong upgrade cycle that drove iPhone unit sales up 37% for the subsequent fiscal year and the stock up an additional 30% over the next six months.

But there are no guarantees of a repeat performance this time around. Apple is expected to introduce three

new phones at an event on Tuesday. Two are believed to be incremental updates to the current iPhone 7 line, while another is expected to be a redesigned phone with a curved, edge-to-edge display similar to this year's Galaxy lineup from Samsung.

Apple also is expected to charge a much higher price for the new phone—possibly \$1,000 or higher. That would help offset soaring prices for key components such as memory and displays. It also could crimp demand if consumers find the price too rich.

Clarity on those points from Tuesday's presentation will help investors better as-

Call Options

Apple's share price, split adjusted



Sources: FactSet (price); the company (dates)

sess the new phone's potential. Analysts already expect the bulk of the new iPhone cycle to show up in Apple's results for the next fiscal year, which begins in October.

—Dan Gallagher

WEALTH MANAGEMENT

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Monday, September 11, 2017 | R1



What's Your Tolerance for Investment Risk? Probably Not What You Think

Financial advisers ask their clients a host of questions to get at the answer. But their questions actually measure something completely different—often leading to misguided investment strategies.

BY MEIR STATMAN

A **NYBODY WHO HAS EVER BEEN** to a financial adviser knows the drill. The adviser begins by asking you to fill out a questionnaire, aimed at getting at a key measure: your appetite for risk. By knowing how much risk you're able to tolerate, the adviser knows how much you're willing to lose to get where you want to go.

The adviser can then construct a portfolio that reflects your risk tolerance. Pretty simple, no? If only.

The truth is that the questions advisers ask often don't measure what they purport to. Instead, they take all sorts of different concepts—such as regret, fear and overconfidence—and they lump them all together under this vague concept called risk. Each of those things is worth understanding and examining on its own. But to call them risk ends up distorting more than clarifying, and leaves investors with portfolios that may be disturbingly inappropriate for their goals.

For instance, people who are labeled as having a high tolerance for risk may really be reflecting dangerous overconfidence. You don't want them owning portfolios of risky stocks because they have a mistaken sense of their ability to pick winners. Conversely, investors who are considered to have a low tolerance for risk could actually be excessively afraid of daily ups and downs. Instead of having them forgo the returns from stocks, better to teach them to overcome the fear, rather than let the effects of fear bleed into their investment decisions.

To get a better sense of what risk questionnaires actually measure—and how advisers and investors could refine those questions—here's a closer look at some typical questions.

RISK VS. FEAR AND EXUBERANCE

Imagine a steep stock-market decline, as happened during the 2008-09 financial crisis when the S&P 500 index plunged more than 40% in six months. How would you react?

I would sell all of my stock investments.

I would sell some of my stock investments.

I would make no changes to my stock investments.

I would increase my stock investments.

This is a typical question posed to investors, supposedly to gauge their tolerance for a market decline. But what do the answers tell us? Not what we typically believe.

Please turn to the next page

Dr. Statman is the Glenn Klimek professor of finance at Santa Clara University's Leavey School of Business and the author of "Finance for Normal People: How Investors and Markets Behave." He can be reached at reports@wsj.com.



Questions Investors Should Ask Themselves

How strongly do you agree with the following statements? Your answers offer a window into your investing attitudes and have important implications for your investing strategies.

I HAVE LESS money than I need. I find it difficult to pay my bills. I am financially worse off than my parents were at the same age.

*People who agree strongly aren't necessarily poor, but they **lag behind their aspirations**. This motivates them to accept risk and possibly losses for a chance to reach their aspirations.*

I FEEL BAD if another alternative has done better than the one I have chosen.

*People who agree strongly have a **high propensity for regret**. One prophylactic is to keep yourself ignorant of how alternatives have done.*

SUCCESS IN CHOOSING investments with above-average returns depends on skill more than on luck, and I have the skills to choose such investments.

*People who strongly agree are likely **overconfident in their skills** at choosing winning investments, motivating them to hold undiversified portfolios and trade often.*

IT'S MORE LIKELY that stock-market returns will be low and risk high in the coming 12 months than returns high and risk low.

*People who think it's more likely that returns will be low and risk high are probably **excessively fearful**, motivating them to invest too little in stocks. People who think returns will be high and risk low are probably **excessively exuberant**, motivating them to invest too much in stocks.*

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INSIDE

Students Get Tuition Aid for a Piece of Their Future
Income share agreements seem poised to take off
R4

The Hope vs. Reality of Working Later in Life
People say they want to keep earning income, but the facts tell a different story
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One Key to Feeling Better: Try Buying Some Time
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Saving for later years is a lot more challenging—and important
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Children can make decisions about spending, saving and donating
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Startup Targets High Cost of Bankruptcy
Aim is to help people pull together information without a lawyer
R14

PHOTO ILLUSTRATION BY C.J. BURTON

JOURNAL REPORT | WEALTH MANAGEMENT

Gauging Your Tolerance for Investment Risk

Continued from the prior page

For starters, consider that everybody finds it difficult to foresee future emotions. Today, the fear induced by the stock-market crash of the recession is fading, while the fear induced by the dot-com crash of 2000 and the crash of 1987 are long gone.

Rather, how people feel about a big decline depends almost entirely on what has been happening in the market recently. So asking people how they would feel if the market falls 40% is likely to elicit an answer “I am afraid” in the wake of a big decline, and elicit “I am not afraid” when the market has been moving up. Asking people today how they felt in March 2009 is likely to elicit a response indicating less fear than they actually felt in 2009.

In other words, the answer tells you very little.

But while the question doesn’t reveal anything about an investor’s tolerance for risk, it does hint at another important measure: an investor’s current feelings of fear or exuberance.

To get at those feelings, advisers might ask clients to estimate stock-market returns in the coming 12 months, and their perception of stock-market risk during the same period. Investors who say the returns would be high and risk low are likely infected by exuberance. Investors who say that returns will be low and risk high are likely afflicted by fear.

That’s an important measure for advisers and investors to know. Investors who are asked about their risk tolerance following high past returns are likely to overestimate it, swayed by exuberance. Investors who are asked following low past returns are likely to underestimate it, swayed by fear.

As a result, once advisers get answers to the question, they need to push back. In 2009 they should have said, “I know you are afraid. So am I. It is a natural feeling in times like today. You believe that future returns will be low and risk high, so you want to sell your stocks. But I also know that feelings can be exaggerated. More likely than not, the economy will recover and the stock market as well, as happened post-2000 and post-1987. You are better off leaving your portfolio alone, even if fear compels you otherwise.”

Advisers also need to push back in the other direction in periods of exuberance. “I know that you feel good about the stock market and believe that returns will be high and risk low. But I know that feelings can be exaggerated. It isn’t wise to increase your stock allocation beyond prudent levels, because sometimes declines follow increases, and you are not in a financial position to withstand a decline if you want adequate retirement income.”

Fear increases risk aversion even among financial professionals, leading to high risk aversion in financial busts and low risk aversion in financial booms. In an experiment, financial professionals asked to read a story about a financial bust became more fearful than those asked to read a story about a financial boom, and fear led them to reduce risky investments.

CONFUSING REGRET AND RISK

Suppose that five years ago you bought shares in a highly regarded company. The same year the company experienced a severe decline in sales due to poor management. The price of the shares dropped drastically and you sold at a substantial loss. The company has been restructured under new management, and most experts now expect the shares to produce better than average returns. Given your bad past experience with this company, would you buy shares now?

Again, this question is typically presented as about risk attitudes, interpreting a “no” an-

swer as bolstering a conclusion that a client is highly risk-averse and therefore should be assigned a low-risk portfolio.

The problem is that this is not really a question about risk attitudes. Instead, it’s more about regret. Attitudes toward risk and regret are both important, but they are different. Indeed, the correlation between the two attitudes is close to zero.

Regret is a painful emotion, and pride, its opposite, is pleasurable, but both are effective teachers. We recall our choices and their outcomes, and learn to repeat choices that brought pride and avoid choices that inflicted regret.

Regret and pride guide us rightly, however, only when there is a strong connection between choice and outcome. They guide us wrongly when luck weakens that connection. Luck predominates in investment outcomes, yet we are regularly blind to its role. Good outcomes bring pride even when choices are foolish, and bad outcomes inflict regret even when choices are wise.

So this is an important question for financial advisers to ask—but not to learn about their clients’ appetite for risk. Rather, it tells us about their susceptibility to regret and pride. For one thing, that susceptibility can inflict misery on advisers, expressed in their common lament, “When a stock goes up, the client says, ‘I bought it.’ When a stock goes down, the client says, ‘My adviser sold it to me.’”

What’s more, because regret is so painful, advisers might recommend overly conservative investments to regret-averse clients, because those investments aren’t likely to inflict large losses and accompanying regret, even when a proper assessment of risk attitudes would call for riskier investments that offer good chances for substantial gains.

Advisers should diagnose pride-seeking and especially regret-aversion in their clients, perhaps asking them more directly whether they agree with the statement: “Whenever I make a choice, I feel the pain of regret if another alternative has done better than the alternative I have chosen.”

Advisers should then proceed to reduce clients’ susceptibility to pride and regret by educating them about the dominant role of luck in the link between investment choices and outcomes, rather than recommend low-risk investments to regret-averse clients.

CONFIDENCE AND OVERCONFIDENCE

How much confidence do you have in your ability to make good financial decisions?

The risk questionnaire asking this question considers people who profess high confidence as willing to accept high risk, bolstering recommendations for high-risk portfolios.

There is indeed a relation between confidence and risk tolerance: High confidence generally corresponds to high risk tolerance. But advisers should pause before recommending high-risk portfolios to confident clients, because confidence can easily turn into overconfidence.

Overconfident investors perceive risk as lower than less-confident investors, biasing upward the measure of their risk tolerance. Advisers therefore need to adjust downward their assessment of the risk tolerance of overconfident investors, and perhaps tamp down their overconfidence as well. Even if overconfidence is unrelated to risk tolerance, it still matters to financial advisers as they guide investors toward fitting portfolios. Investors who are overconfident in their investment-picking skills are likely to resist advice to buy diversified portfolios and hold them rather than trade.

(As an interesting aside, men tend to be more overconfident than women, and the young tend to be more confident than older people.)

Perhaps a better question diagnosing overconfidence asks: Some people believe that they can pick investments that would earn higher-than-average returns. Other people believe that they are unable to do so. Please indicate your belief.

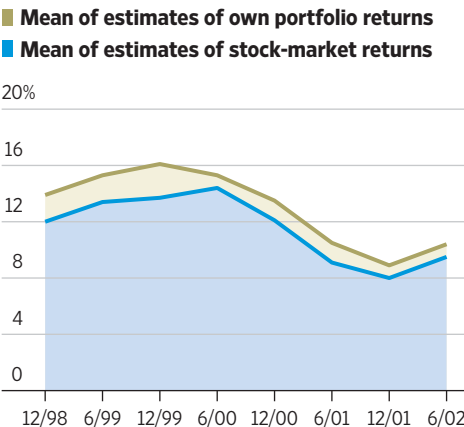
THE REAL RISK OF FOREIGN INVESTMENTS

Foreign investments involve risks that are in addition to those of U.S. investments, including political and economic risks, as well as the risk of currency fluctuations. These risks may be magnified in emerging markets.

Investor Overconfidence

On average, investors think they are above-average when it comes to their expectations for their portfolio returns vs. stock-market returns.

Six-month trailing averages



Note: Data are from Gallup surveys. These questions were asked as a pair only during 1998-2002.

Source: Meir Statman, “Finance for Normal People: How Investors and Markets Behave”

THE WALL STREET JOURNAL.

This is a typical boilerplate on a risk questionnaire. And it couldn’t be more misleading. Foreign investments regularly reduce the risk of diversified portfolios rather than increase it.

Before getting clients’ preferences for venturing abroad, advisers should educate investors about global diversification rather than warning them about the risks.

That is, start with balanced information: “Over time, international markets and asset classes within those markets have not always moved in unison with the U.S. market. U.S. stocks have outperformed international stocks during some periods, and international stocks have outperformed U.S. stocks during other periods. Investing a portion of a portfolio in international stocks and bonds reduces risk.”

Then comes elicitation of preferences: Which statement best reflects your view on international investing?

I am very comfortable with international investments.

I am comfortable with international investments.

I am somewhat comfortable with international investments.

I am somewhat uneasy with international Investments.

I am uneasy with international investments.

Investors can then choose to allocate to international stocks as little or as much as they prefer.

DON’T FORGET ASPIRATIONS

How strongly do you agree with this statement: “Generally, I prefer investments with little or no fluctuation in value, and I’m willing to accept the lower return associated with these investments.”

Attitudes about volatility are central in risk questionnaires. Investors who strongly agree with the above statement are deemed to have low risk tolerance, tilting adviser recommendations toward portfolios that are less volatile, and less likely to offer the opportunity for substantial gains.

Yet looking at risk like this in a volatility vacuum is, at best, misleading, and at worst, wildly off base.

That’s partly because risk isn’t just about the fear of volatility. Risk is also the risk of failing to meet our goals. In this context, an investor’s appetite for risk could be very different than it would seem by just asking about whether they feel comfortable with volatility.

Say, for instance, a young woman answers the question above in a way that suggests she doesn’t want much fluctuation in her portfolio. An adviser might conclude she has a low tolerance for risk, and so invests her portfolio in low-fluctuating securities such as money-market funds. But that portfolio is actually high risk when assessed by the likely large shortfalls from even modest aspirations for adequate retirement savings.

A somewhat better approach can be seen in this typical question: Would you want to make an investment where you have a 50-50 chance for a \$3,639 loss or a \$4,229 gain?

In this case, risk is about a person’s willingness to lose money.

The problem, though, is that the stakes affect the answer. Many who would be willing to wager \$10,000 on a 50-50 chance for a \$3,639 loss or a \$4,229 gain might not be willing to wager \$100,000 or \$1 million for proportionally higher gains and losses.

That’s why it’s better for investors to think about that question where there are substantial stakes, such as lifetime standard of living. Consider the following question:

Suppose that you are given an opportunity to replace your current investment portfolio with a new portfolio. The new portfolio has a 50-50 chance to increase your standard of living by 50% during your lifetime. However, the new portfolio also has a 50-50 chance to reduce your standard of living by X% during your lifetime. What is the maximum X% reduction in standard of living you are willing to accept?

I posed this question to people in 23 countries. On average, Americans are willing to accept a 12.6% reduction in their standard of living for a 50-50 chance at a 50% increase.

The lesson in all these questions is that advisers and investors can’t just think about their tolerance for risk in a vacuum, without thinking about their aspirations. Specifically, it’s the advisers’ responsibility to encourage clients to raise excessively low aspirations that will consign clients to poverty in retirement, and to accept fluctuations in value and even some losses for a chance to reach reasonable aspirations. At the same time, advisers should push back when aspirations for extravagance drive clients to speculative investments that expose them to large losses and poverty.

Risk, in other words, is the payment we make for a chance to reach our aspirations.

Dr. Statman is the Glenn Klimek professor of finance at Santa Clara University’s Leavey School of Business and the author of “Finance for Normal People: How Investors and Markets Behave.” He can be reached at reports@wsj.com.

THE GAME PLAN

YOUNG, IN THE NAVY—WITH FINANCIAL ASPIRATIONS

BY CHRIS KORNELIS

Three years into her career in the Navy, Jamie Coppola has been living in apartments and driving a Ford Fusion. She’s ready for something better.

“I’ve had my crappy car and my apartment,” she says in a phone interview aboard the USS Nimitz aircraft carrier, somewhere in the Middle East. “I would like to upgrade to a nice car and house.”

Ms. Coppola, an air-traffic controller, grew up in Georgia and joined the Navy out of high school, in part because her family has a long history of military service, and because she couldn’t afford to pay for college. She plans to re-enlist and stay in the Navy until at least 2025. She has been working on her associate’s degree and plans on getting a bachelor of medicine while she’s in the Navy. Someday, she’d like to start a family. She also would like to get her retirement plans in order.

Before she was deployed earlier this summer, Ms. Coppola, who is a petty officer, sold her car, let go of her \$1,300-a-month apartment in Washington state, and has been bulking up her savings. Because the Navy considers her to be in a combat zone now, her salary is currently tax-free, adding up to about \$3,400 a month, which includes a basic housing allowance and salary at the E-5 rank.

Between savings and life-insurance money that she received when her mother died last year, she has about \$34,000: \$12,000 in two certificates of deposit, \$9,000 in a checking account and \$8,000 in savings and cash. She also has \$5,000 in a TSP, a Navy retirement account, to which she contributes 13% of her paychecks. She has credit-card debt of \$2,100.

Aboard the Nimitz, there is not much to

spend money on. She spends about \$100 a month on Amazon purchases. Her cellphone costs her \$150 a month, and she pays \$100 for a storage unit back home. When she has shore leave in port, she stays in hotels, spending each month about \$200 on rooms that she shares, and \$100 on food and gifts.

After her deployment, she plans on returning to her former apartment complex and has her heart set on a 2010 Mercedes that she saw for \$18,000 before she was deployed. In April, she’ll get a new assignment, where she’d like to buy a house. “I’ll be there for five years,” she says. “I don’t want to live in an apartment for five years.”

ADVICE FROM A PRO: Jay Turley, a managing member at Seattle’s Breakwater Investment Management, says that with more than a year’s worth of income in the bank at 22, Ms. Coppola is off to a nice start. But she should focus on saving rather than ratcheting up her spending.

He advises that she not buy such an expensive car, and invest that money instead. By investing in a diversified portfolio, he believes that her \$18,000 could earn 6% a year and turn into \$144,000 by the time she’s 68.

“As a 22-year-old, I think she should have some tolerance for an unreliable car,” he says. “I am hesitant about putting half of her money into an asset that is going to depreciate rapidly.”

While saving 13% into her TSP is a good start, Mr. Turley says he advises clients to save 25%. Considering her lack of expenses while she’s deployed, Mr. Turley says there is no reason Ms. Coppola can’t be saving even more than that. He suggests putting as much as she can into a target-date ETF with almost all equities at this stage, as long as she can handle some ups and downs in the market without being spooked into making premature withdrawals.

“Save like a maniac,” he says. “Spend like a miser.”

Mr. Turley says Ms. Coppola has a bit too



MASS COMMUNICATION SPECIALIST SEAMAN CODY M. DECCIO

An adviser recommends Jamie Coppola invest as much as she can in a target-date ETF.

much cash. She should pay off her credit cards immediately from her checking account and not carry a balance in the future. He suggests she hold \$10,000 across checking and savings accounts, \$10,000 in CDs and put the rest in the low-cost target-date ETF.

As for buying a home when she gets her next assignment, Mr. Turley says she should proceed with caution. Considering how often she’ll be moving while she’s in the Navy, he says she’d probably be better off saving than spending on a house. He says she should only consider buying a home if she knows she’s going to be in it for at least five years.

“I would still wait a year or so to make sure I’m buying in the area I want to live in,” he says.

“You really want to minimize this transaction. It’s a very expensive transaction.”

Mr. Turley says Ms. Coppola’s biggest opportunity is education. He advises that she get her degree as soon as she can. With the Navy offering generous contributions toward her education, not only can it be done on the cheap, getting a degree earlier rather than later is going to maximize her lifetime earnings and put her in a position to have more options down the road.

“It will never cost less, never be easier and will give you more time to benefit from the work,” he says.

Mr. Kornelis is a writer in Seattle. Email him at reports@wsj.com.

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JOURNAL REPORT | WEALTH MANAGEMENT

Students Get Tuition Aid for a Piece of Their Future

Income share agreements seem poised to take off, as costs and debt loads rise

BY JILLIAN BERMAN

TO HELP PAY for ever-growing college costs, more students may soon be trying a new approach: selling rights to their future earnings.

Long discussed in college policy and financing circles, income share agreements, or ISAs, are poised to become more mainstream. A handful of backers currently exist that in effect have invested in college students' futures by advancing them thousands of dollars in tuition money to bridge gaps in financing when student loans don't quite meet all of their expenses.

Under the terms of a typical ISA, students agree to pay a percentage of their future earnings for a predetermined period in exchange for help up front with their tuition. Now, more students may have the opportunity to enter such deals, as lawmakers in Congress are working on possible ground rules for the agreements.

A flagship public university has its own ISA program with more than 160 participants last academic year, and several other colleges have launched or are considering starting ISA initiatives of their own. Meanwhile, at least one company, founded in 2015, exists solely to facilitate the agreements for educational providers.

Gaining support

"What I see now is a lot of different institutions giving it a try," says Miguel Palacios, assistant professor of finance at University of Calgary's Has-kayne School of Business and co-founder of Lumni, an organization offering students in Latin America ISAs since 2002 and in the U.S. since 2009.

While so far there are only a few providers of ISAs in the U.S., discussions about broadening the practice are picking up steam. The basic incentive

for investors is that the student, under the terms of the agreement, could end up paying back more than the amount that was advanced—similar to a student loan—thus earning the investor a profit. Companies could see ISAs as a way to attract future employees, by pledging to help pay their tuition in return for future years of service—and repayment. The deals also allow colleges to create another avenue of financing for students as families become increasingly wary of taking on traditional student loans.

As a safeguard, some agreements require the student to repay the investor only if his or her salary is above a certain amount.

Closing gaps

Right now, ISAs are only being discussed seriously for students who still owe tuition after hitting the limit for federal student loans. ISAs are thus viewed as competing mainly with private providers of student loans.

Some advocates try to argue ISAs are not loans, says Mark Kantrowitz, publisher of Cappex.com, a college and scholarship search site. "An ISA is still a loan," Mr. Kantrowitz says. "Investors are interested in getting the same amount of profit from an ISA as they would from a loan."

Mr. Kantrowitz calculates that students who borrow \$37,000 through an ISA and earn \$50,000 a year would likely wind up paying back between \$55,528 and \$88,845 under a typical ISA, assuming they pay back the money over 10 years. Many ISAs are structured so that students pay them back in less than 10 years. Still, if those agreements were a 10-year loan, they'd have an interest rate of between 8.7% and 21%, he found.

Depending on how an agreement is structured, the repayment obligation could be



PURDUE UNIVERSITY

The average funding amount from Purdue University's Back a Boiler ISA is just over \$13,000.

usurious, Mr. Kantrowitz says. Indiana's Purdue University introduced its Back a Boiler program last year to much fanfare. The Purdue Research Foundation is in charge of the ISA program and has been in touch with the lawmakers in

ISAs are viewed as competing mainly with private-loan providers

Congress interested in regulating ISAs to make sure it is following proposed guidelines.

ISAs at Purdue are available to rising sophomores, juniors and seniors for a maximum of 15% of their anticipated salary after graduation. The school only recommends ISAs as an alternative for private loans or government loans made to parents, not federal student loans. The 161 students participating last academic year secured financing of \$2.1 million through the program, says David Cooper, chief investment officer of the Purdue Research Foundation. The average funding amount is just over \$13,000, Purdue says.

Students whom Purdue expects to have relatively lower-paying jobs after graduating

will pay a larger percentage of their income over a longer period than those expected to earn relatively high salaries. For example, a typical junior English major would agree to pay 4.97% for 116 months, while a typical junior chemical engineer would pay back 2.81% for 88 months. The students could wind up paying close to the same amount, however, depending on their salaries.

If Purdue students in the program want to prepay their obligation, they will pay back 2.5 times the initial funding amount. Students don't begin the payment period until six months after they graduate, or withdraw or fall below half-time enrollment at the university. They could wind up paying nothing if they earn less than \$20,000 a year, or if they are unemployed and can prove to the school that they are actively looking for work. For students who attend graduate school full time, the payment obligation is deferred while they're in school at no additional cost.

Assisting Purdue with the running of the program is Vemo Education, a company set up to provide universities and other education providers, like boot camps, in the U.S. with technology to run their own ISA programs. Launched

in 2015, Oakton, Va.-based Vemo says it facilitated \$23 million worth of ISAs in the 2016-2017 academic year, and expects that to grow this year.

Relatively unregulated

One obstacle to the products becoming more mainstream, however, is that they remain relatively unregulated. A bill introduced earlier this year by Rep. Luke Messer (R., Ind.), and which has bipartisan support, would provide protections to students and investors. The proposed bill specifies the terms that must be included in the contract for the deal to be legal. The legislation caps funding at 15% of future income for ISAs with terms of 15 years or less, and 7.5% for the longest deals the bill allows—up to 30 years. Investors can't require borrowers earning 150% of the federal poverty line for a single person or less to pay an ISA.

James Fish, chief financial officer at Clarkson University, a private nonprofit college in Potsdam, N.Y., says regulatory clarity would be helpful as the school works to develop its own ISA program. Clarkson is still in the early stages of researching how best to structure the contracts, he says.

Clarkson officials decided to pursue an ISA financing op-

tion after a trustee offered to fund a program at the school. They plan to have it up and running by fall of 2018, according to Mr. Fish.

Some critics of ISAs worry about the idea gaining momentum. David Bergeron, a senior fellow at the Center for American Progress, says lawmakers should focus on containing the cost of college instead of developing alternative financing mechanisms. He suggests solutions like increasing investment in public universities and pressuring schools to be smarter about their spending, for example, through shared faculty health plans for institutions in proximity.

Institutions offering ISAs right now are being extremely cautious, he says. But, once a law is passed, he warns, more groups will go right up to, or over, the regulatory line.

The federal legislation being considered includes a provision saying state usury laws wouldn't apply to ISAs, since the agreements technically don't charge interest. Still, states could set their own rules that apply specifically to ISAs to protect students from usurious-like behavior.

Jason Tyszko, executive director of the U.S. Chamber of Commerce Foundation Center for Education and Workforce, says his group has had exploratory conversations about using ISAs as a way to pay for employee training. Mr. Tyszko says he doesn't know of any employers who have used ISAs yet, but he thinks many could be awaiting regulatory clarity.

It's important to get specifics before signing on to an ISA, says Mr. Kantrowitz. Students should estimate the monthly payments they will owe and the amount they'll pay over the lifetime of the agreement to ensure it isn't costing them more than a traditional loan. They also should see if there might be any tax consequences if the balance is written off after the end of the repayment period.

Ms. Berman is a reporter for MarketWatch. Email: jberman@marketwatch.com.

ASK ENCORE | GLENN RUFFENACH

Working Later in Life: Hope vs. Reality

People say they want to keep earning income. The facts tell a different story.



I'm 59 years old and plan to keep working until my late 60s or longer. But what are the odds I can continue to do so?

A great question, one that highlights a major disconnect in retirement planning.

In survey after survey, significant percentages of workers say they plan to work well past the traditional retirement age of 65. In a Gallup poll published in May, 31% of nonretired adults said they plan to retire at age 68 or older. In a study published in March by the Employee Benefit Research Institute, 38% of workers said they expect to retire at age 70 or beyond. And last year, in a report by the Federal Reserve, 38% of surveyed adults age 60 and older said they plan to continue working in retirement.

But if we look at when Americans actually are retiring, the numbers tell a different story.

In the Gallup poll, surveyed retirees said they stopped working, on average, at age 61. In the Employee Benefit survey, only 4% of retirees said they worked until age 70 or beyond.

The same conclusion can be drawn from looking at income. The Federal Reserve asked retirees to identify their "sources of funds" in later life. Only 7% of respondents said they had income from a job.

Why the disparity between workers' plans and retirees' experiences? Because life is messy. Health problems, layoffs, the need to care for a loved one, age discrimination, a scarcity of job openings in your particular area—any of these circumstances can, and do, push people into retirement far earlier than planned.

If you wish to keep working into your late 60s and beyond, I certainly hope you are able to do so. It likely would do wonders for your savings account, not to mention your mental health. But keep in mind that reality might intrude. In particular, if this is your sole strategy for beefing up an undersized nest egg, you could be in for a nasty surprise.

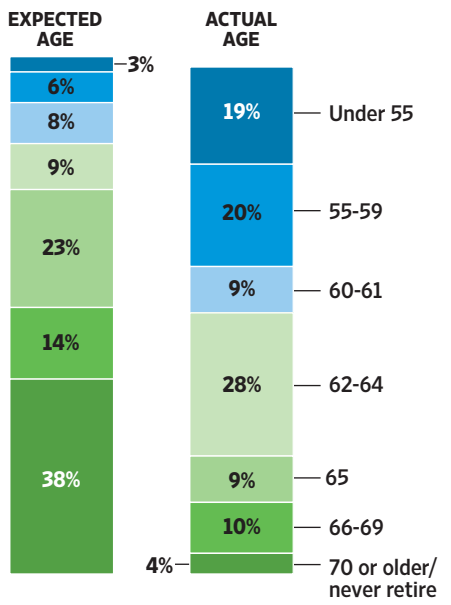
* * *

My wife and I both have individual retirement accounts, and we both have inherited IRAs from our mothers. (A total of four accounts.) My question involves our required minimum distributions after reaching age 70½. Can any or all of these accounts be mixed and matched to come up with a combined husband/wife RMD?

In a word, no.

Reality Check

Employees' retirement timetable often doesn't match up with when they actually end up retiring



Source: Employee Benefit Research Institute; Greenwald & Associates; 2017 Retirement Confidence Survey
THE WALL STREET JOURNAL.

To start, there is no such thing as a "spousal" IRA, or a "spousal" RMD. The key word in IRA is "individual." That means you must take required withdrawals annually from your accounts after reaching 70½, and your wife must do the same from her accounts.

Unfortunately, this idea of joint or combined accounts and withdrawals is "a common misconception" among spouses, says Ed Slott, an IRA expert in Rockville Centre, N.Y. "Couples sometimes think that if all the income goes on the same joint tax return, what's the difference?"

The difference is that a couple could end up withdrawing more money than necessary from one spouse's IRA and not enough from the other spouse's IRA. Failing to take the full distribution from an account would result in a 50% penalty on the shortfall. For example, if you are required to withdraw \$6,000 but withdraw only \$3,000, the Internal Revenue Service will bill you \$1,500.

As for your inherited accounts, you need to be careful here, as well.

Normally, if a person has multiple IRA accounts, she or he can "aggregate" (in IRS

speak) their required distributions. In other words, you would calculate the RMD for each account, add up the RMDs, and then withdraw the necessary funds from one account or any combination of accounts. But you can't aggregate the RMDs from a traditional IRA and an inherited IRA. The government looks at these as two different animals.

So, you will have to calculate the RMD for your traditional IRA and withdraw that money from that account, and then do a separate calculation and withdrawal for your inherited IRA. And your wife will have to do the same with her two accounts. In all, four calculations and four required withdrawals, all independent of each other.

* * *

I am 62 years old and disabled. When I reach 65, my Social Security disability benefits become Social Security retirement benefits. I would like to stop getting benefits at 65 and file for Social Security retirement at 70. Can I do that?

This plan will work—but not when you think it will.

Yes, disability benefits automatically convert to retirement benefits when a person reaches full retirement age, as defined by the Social Security Administration. At that same point, a person has the option to voluntarily suspend his or her benefits to earn "delayed retirement credits" until age 70, says Darren Lutz, a spokesperson for the Social Security Administration.

Between your full retirement age and age 70, for each year you wait to restart your benefits the amount of your annual payout, when you finally take it, increases by 8% of the benefit at full retirement age. In other words, your benefit increases by the same dollar amount each year that you wait.

But the key words in this scenario are "full retirement age." You mention that you are currently 62, which means you were born in 1954 or 1955. That means you will reach your full retirement age at 66 if you were born in 1954 or at 66 and two months if you were born in 1955.

So, yes, you can suspend your benefits when you reach your full retirement age, but in your case that won't happen at age 65.

Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column examines financial issues for those thinking about, planning and living their retirement. Send questions and comments to askencore@wsj.com.

ADVISERS' VOICES

RYAN O'DONNELL

SAVING FOR COLLEGE?

For many people, their two main long-term financial goals are funding their retirement and paying for their children's college education. Conventional wisdom suggests saving for both of those goals in tandem.

But would some investors be better off not saving for college at all?

Physicians offer a vivid example of why that question is so crucial. They have their earnings potential as a powerful long-term asset, but most don't come out of residency until they are in their early 30s, vastly limiting the time they have to save for retirement. Therefore, they need to save and invest more aggressively than those with longer timelines. Splitting their available savings between two goals makes the task even harder.

Let's say a high-earner has \$43,000 available to save each year. The traditional approach would have that person put aside \$7,500 annually for college and \$35,500 for retirement. After 18 years (assuming a 5.6% average rate of return in a relatively conservative 529 college-savings plan) the investor should have enough for college and can start saving the full \$43,000 for retirement.

The issue with this approach is that the investor loses out on much of the benefit of nearly two decades of compounding interest. The money put in the 529 could have been working harder in a retirement account. Assuming an average 7.4% rate of return in the retirement account (based on returns in a moderate-lifestyle portfolio), that amounts to an additional \$350,000 after those 18 years.

When it comes time for college, the investor could simply divert the \$43,000 in annual cash flow toward tuition. Although he or she won't be saving for retirement during the college years, the interest earned on the fuller savings is still working. In fact, at age 65—assuming the parent resumes saving once college is complete and continues to receive that 7.4% rate of return—he or she would still have \$550,000 more than the investor who saved for school.

This strategy could apply to any high-earner who got a late start saving for retirement. It involves risks and isn't for everyone, but for some, it might be worth exploring.

Mr. O'Donnell is founding partner at O'Donnell Group in Chico, Calif. He can be reached at reports@wsj.com.

JOURNAL REPORT | WEALTH MANAGEMENT

TAXES | TOM HERMAN



Advice for Filing Amended Tax Returns

Also: answering reader questions on home offices and deadlines

It's time to answer a few reader queries likely to be of interest to many other taxpayers—and to remind procrastinators about two deadlines, including one on Friday.

A friend told me recently that he forgot to claim what might be valuable deductions for each of the past five or six years. He asks: Is there still time to correct this long reign of error and collect what could be sizable refunds? If so, what's the right way to do it?

My friend has plenty of company in wondering about this subject. Every year, millions of people discover errors and omissions on previously filed returns and wonder whether it's worth the time, aggravation and expense to fix them on Form 1040X.

Some people face this issue through no fault of their own: After they have filed a return, they sometimes receive new information, such as on a taxable dividend payment, that differs from what they had reported. Advice on how to correct errors—and how to avoid making mistakes while trying to correct mistakes—remains a popular topic among tax professionals, especially in view of our constantly changing and end-lessly confusing tax rules.

As with so many tax questions, some of the rules on amending returns are counterintuitive and include important exceptions.

For example, consider the issue my friend raised about how far back he can go in correcting his old returns. The general answer: To claim a refund, you typically have to file “within 3 years (including extensions) after the date you filed your original return or within 2 years after the date you paid the tax, whichever is later,” the IRS says. “If you filed your original return early (for example, March 1 for a calendar year return), your return is considered filed on the due date (generally April 15).” But suppose you got a filing extension until mid-October, filed earlier and the IRS received it July 1. In that case, your return is considered filed on July 1, the IRS says.

There are significant exceptions to this gen-

Mr. Herman is a writer in New York City. He was formerly The Wall Street Journal's Tax Report columnist. Send comments and tax questions to taxquestions@wsj.com.

Filing Deadline

Earlier this year, millions of people got six-month extensions to file their federal income-tax returns for the 2016 tax year. In most cases, their deadline is Monday, Oct. 16.



TOTAL RETURNS RECEIVED AS OF SEPT. 1, 2017
145.3 million

TOTAL RETURNS EXPECTED About
152 million

Source: Internal Revenue Service

eral rule, as well as other twists to consider. For example, the time limit can be suspended under certain circumstances for people who are “physically or mentally unable to manage their financial affairs,” the IRS says. Also, there are special rules for refund claims relating to “net operating losses, foreign tax credits, bad debts, and other issues.”

For more details, see the IRS website (www.irs.gov) for instructions to Form 1040X.

This is an especially timely topic in the wake of hurricanes Harvey and Irma. Some people affected by these and other federally declared disasters may want to consider filing amended returns for 2016, says Mark A. Luscombe, principal federal tax analyst at Wolters Kluwer Tax & Accounting in Riverwoods, Ill. That's because of a little-known option available to victims with casualty losses attributable to a federally declared disaster.

Usually, taxpayers have to deduct casualty losses for the year in which they occurred. But if you suffered a loss attributable to a federally declared disaster, such as Harvey and Irma (and other disasters this year), you have the option of deducting your loss for the tax year immediately before the loss actually occurred. If you have already filed your return for 2016, as most taxpayers have, you may file an amended return for that year, claiming your disaster losses there.

The deadline is “no later than 6 months after the due date for filing your original return (without extensions) for the year in which the loss took place,” the IRS says. When in doubt about which year to choose, crunch the numbers both ways. See FEMA's website (<https://www.fema.gov/>) for a list of other disaster declarations. And check the IRS website for updates on storm-related tax issues.

A few other pointers on making amends:

- ◆ You can't file an amended return electron-



REFUNDS ISSUED
108.8 million

REFUNDS IN DOLLARS
\$302.5 billion

AVERAGE REFUND AMOUNT
\$2,782

THE WALL STREET JOURNAL.

ically. You have to do it the old-fashioned way, using snail mail.

- ◆ File a separate Form 1040X return for each tax year you are amending. Don't try correcting all your mistakes from prior years on one Form 1040X.
- ◆ When you're filing amended returns for more than one year, don't mail all of the forms in the same envelope. Instead, the IRS says to mail each form in a separate envelope. Write the year of the return you're amending at the top of each Form 1040X.
- ◆ If you amend your federal return, consider whether you need to fix state and local returns, too. This can be especially important for taxpayers in high-tax areas, such as New York City and California.

Home-Office Deduction

A reader asks for information about a simplified method for calculating deductions for home-office expenses that the IRS introduced several years ago.

In most cases, you figure your deduction by multiplying \$5 by the area of your home that qualifies as a home office—but the maximum area is only 300 square feet, thus limiting the deduction to \$1,500. This streamlined method can be a welcome timesaver for someone with a relatively small office at home, or who doesn't want to bother with the more cumbersome calculations involved in the regular method.

But as Mr. Luscombe of Wolters Kluwer points out, it typically isn't a great idea for many other people, such as those with relatively large home offices and who are eligible to deduct significantly larger amounts than under the simplified method.

For more details, get IRS Publication 587 (“Business Use of Your Home”). Also search the IRS website for material on the simplified

option for home-office deduction.

This simpler method doesn't change the basic criteria for qualifying for the home-office deduction. Those rules are anything but simple. Here are just a few key generalities: The home office typically must be used exclusively and regularly as your “principal place” of business, or it must be used exclusively and regularly as a place where you “meet or deal with patients, clients, or customers in the normal course” of your work.

There are some exceptions: You don't have to meet the “exclusive-use” test if part of the home is used regularly as a day-care facility, or to store inventory or product samples. Here's another important rule that can trip up unsuspecting workers: Employees must be able to show that the home office was used for the convenience of their employer, not just their own convenience.

Looming Deadlines

Many taxpayers are facing an important deadline on Friday. Sept. 15 is the next deadline for quarterly estimated tax payments for 2017, a topic that appears to puzzle many taxpayers. These rules apply to millions of people with various forms of taxable income that aren't subject to tax-withholding requirements. See the instructions to Form 1040-ES to see if you have to pay estimated taxes.

The first estimated-tax payment for this year was due April 18. The second payment was due June 15. The fourth payment is due Jan. 16, 2018—but the IRS says you don't have to make that January payment next year if you file your 2017 return by Jan. 31, 2018, and pay whatever you owe with your return.

The IRS recently extended numerous deadlines for taxpayers in designated areas affected by Harvey. For example, these taxpayers get until Jan. 31 of next year to make estimated payments due Sept. 15 this year and Jan. 16, 2018.

Another deadline to consider: Oct. 16. In most cases, that's the filing deadline for millions of people who received six-month filing extensions earlier this year on their returns for 2016. (Those extensions gave taxpayers more time to file but not more time to pay whatever they might owe.) Usually, the extended filing deadline is Oct. 15, but that falls on a Sunday this year.

The IRS recently extended this deadline to Jan. 31 of next year for taxpayers in designated areas affected by Hurricane Harvey. See the IRS website for details. Most taxpayers filed earlier this year.



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Without sales charges	1-year	3-year	5-year	10-year
Class Z	7.10	3.68	4.64	6.00
Class A	6.73	3.36	4.34	5.71
With sales charge				
Class A (4.75% max. sales charge)	1.68	1.70	3.33	5.19

Expense ratios: Class Z: Gross 0.76% | Net 0.76%
Class A: Gross 1.01% | Net 1.01%



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JOURNAL REPORT | WEALTH MANAGEMENT

A New Kind of Volunteering, Encouraged by the Boss

Companies let their workers donate their professional expertise—on company time

BY NEIL PARMAR

AS A RESEARCH-and-development engineer at **General Mills Inc.**, Madison Barre spends most of her workweek developing products for the Minneapolis-based food company. She also devotes about one to three hours, on average, plus some personal time, doing pro-bono work for small food companies in Africa.

The 27-year-old Ms. Barre (who also has worked as a quality engineer at General Mills) has shared tips on how to reduce contamination risk

Employees ‘want to use their skills...to solve a societal challenge.’

when handling raw ingredients and has offered guidance on subjects such as organizational management. While most of this consulting work is done via videoconferencing, in January she traveled to a Malawi production plant to provide food-safety guidance and simulated audits ahead of an actual inspection to assess the plant’s processes and quality.

“It’s incredibly rewarding not only for the clients and seeing their progress but for your own skill development,” says Ms. Barre, adding that this type volunteerism allows her to flex her professional muscles in ways her regular day job doesn’t always allow.

Growing interest

While corporate volunteer programs are nothing new—employees have long taken part in things such as food drives and home-building initiatives—projects that allow workers to donate their pro-

fessional expertise are a different, and growing, breed. More than one million hours of pro-bono work were performed last year, up from 492,305 hours in 2013, according to a survey of more than 270 publicly traded companies by CECF, a nonprofit consulting firm whose mission is to help companies do good.

The rise coincides with growth in the number of employers sponsoring pro-bono service programs. Many companies see these initiatives as a way to attract and retain professionals who desire more purposeful careers. “Increasingly, employees don’t just want to paint fences,” says Carmen Perez, CECF’s director of data insights. “They want to use their skills...to solve a societal challenge.”

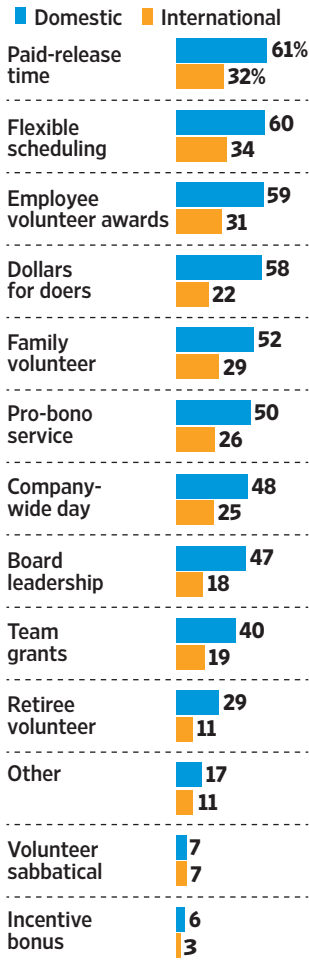
Millennials, in particular, have an interest in far-reaching social issues and typically want opportunities to give back to their communities in ways that are personal to them, according to the latest Millennial Impact Report, an annual study supported by the Case Foundation and conducted by Achieve, a research and marketing agency. In the 2015 report, 77% of millennials said they were more likely to volunteer when they could use their specific skills or expertise to benefit a cause.

Experts say it’s important to differentiate pro-bono volunteering from traditional volunteering, where individuals perform work for which they normally wouldn’t charge. Pro-bono programs, by contrast, typically involve people providing a professional service—such as legal, accounting or financial-planning advice—to a formally organized nonprofit at no cost.

From a tax perspective, certain out-of-pocket expenses incurred by either a company or

Doing Good

Percentage of companies surveyed offering corporate volunteer programs to employees in 2016



Source: CECF Investing in Society Report, June 2017
THE WALL STREET JOURNAL.

individual while donating pro-bono work are deductible. These may include travel, lodging and supply costs, though in order for expenses to qualify for a deduction they need to primarily benefit the charity—not an individual or a business, says Joshua Zimmelman, president of New York-based Westwood Tax & Consulting.

What isn’t deductible is the value of the work being donated. In other words, if someone who normally charges \$100 an hour for a professional service donates two hours of



Madison Barre, a research-and-development engineer at General Mills, does pro-bono work for small food companies in Africa, mostly through videoconferencing.

that service to a nonprofit, they aren’t allowed to take a \$200 deduction. “You can’t deduct the value of your time or services,” IRS spokesman Anthony Burke said in an email.

Choosing the cause

Small-business owners who do pro-bono work are generally freer to choose causes that align with their personal passions. Rhonda Rees, an independent public-relations specialist from Agoura Hills, Calif., selects a different organization annually to support, helping them promote themselves or various events.

Last year, Ms. Rees donated her time and services to Ballet for All Kids, a nonprofit dance studio that welcomes children with different abilities, says Bonnie Schlachte, the group’s director. This year, Ms. Rees donated at least \$5,000 worth of services to raise buzz for a benefit screening hosted by the Make a Film Foundation, says Eva-Marie Fredric, one of the film’s event producers. The movie featured Anthony Conti, a 16-year-old with stage IV adrenal cortical cancer, along with actors such as Johnny Depp, J.K. Simmons and Laura

Dern, who were directed by Sam Raimi, Catherine Hardwicke and others.

Large employers, by contrast, often funnel workers toward the specific causes they support. Prudential Financial offers a program where teams of up to five employees can work on 10-week consulting projects to benefit one of the company’s multiple nonprofit partners in Newark, N.J. Last year, 125 Prudential employees participated, providing business strategy, financial management, human resource, legal and marketing support to 32 such organizations.

Wells Fargo, meanwhile, gives employees the opportunity to work with the **Grameen Foundation’s** Bankers without Borders initiative, assisting microfinance organizations and other enterprises focused on alleviating poverty in communities outside of the U.S.

At General Mills, Ms. Barre is just one of 632 employees who have collectively donated more than 50,200 hours of expertise since 2009 to food companies in Africa. Since 2011, workers have done so through Partners in Food Solu-

tions, an independent nonprofit that aims to improve food security, nutrition and economic development in Africa by boosting the competitiveness of the food-processing sector. Spun out of an in-house volunteer program started at General Mills, Partners in Food Solutions now also relies on pro-bono expertise from employees at Hershey Co., Cargill Inc., Ardent Mills, Bühler AG and DSM.

While volunteers typically don’t go on field visits, Partners in Food Solutions helped pay for Ms. Barre’s trip, along with the company in Malawi that requested her visit. General Mills, meanwhile, didn’t charge her vacation time for it.

“Every Fortune 500 company has tens of thousands of hours lying around in one- to two-hour increments that could be aggregated and put to use to solve the world’s greatest challenges,” says Jeff Dykstra, co-founder and CEO of Partners in Food Solutions. “We’ve happened to do that with food.”

Mr. Parmar is a writer in Toronto. He can be reached at reports@wsj.com.

A Key to Feeling Better: Try Buying Some Time

BY ASHLEY WHILLANS AND MICHAEL NORTON

PEOPLE FEEL HAPPIER when they pay to save time than when they buy something nice for themselves.

Those are the results we found in a series of recent studies. Spending on things like housecleaning services or grocery delivery left people feeling more satisfied than spending on things like new clothes and wine. The findings held true for people in different countries, and at different income levels.

But we learned something else too: Even though people feel better when they spend money to free up time, they often don’t choose to do it.

A shortage of time

We went looking into this topic to see how people were dealing with a big problem: They have more discretionary income than in previous decades, but less time to use it—between work and other obligations, they simply have too much to do, or at least feel that way.

So, we theorized that spending money to “buy time” might reduce stress and improve people’s mood. To test the idea, our research team headed to a science museum in Vancouver last year and offered visitors—60 working adults—a total of \$80 to spend on two forthcoming weekends, as long as they let us tell them how to spend it.

One weekend, we sent participants \$40 and told them to spend the money in any way that would save them time. Some people arranged grocery delivery services, while others hired house cleaners. One woman paid a teenager in the neighborhood to run errands for her. Another bought pre-made bean dip for her house party.

On a different weekend, we sent those same people \$40, but told them to spend it on a material thing for themselves. Our participants filled their shopping bags with pretty nice stuff, including polo shirts, books, board games and wine.

On each weekend of the study, we asked people how pressed for time and how happy they felt. We found that people felt happier when they used money to buy time rather than buying a material thing. And they said they felt that way because they felt less pressed for time.

The same results showed up in a survey of more than 6,000 adults from the U.S., Canada, Denmark and the Netherlands. We asked the participants about their typical spending habits and their life satisfaction, and found that people who typically spent money on saving time reported greater satisfaction. This finding held even when we took individuals’ wealth into account. The benefits of buying time were remarkably consistent across the income spectrum.

Why not do it?

But only 50% of respondents actually chose to spend money to buy time, and only 28% spent it on outsourcing disliked tasks. The results were even more pronounced when we returned to the museum in Vancouver and approached a group of 98 working adults. We asked them what they would do if we gave them \$40 to spend the following weekend. Over half reported they would spend the money on a material purchase, but only 2% reported they would make a timesaving purchase.

Why? Isn’t it obvious that it is more enjoyable to pay someone to clean the bathroom while you watch Netflix in your pajamas?

Our ongoing research suggests that one barrier to buying time is that people often feel guilty about paying someone else to complete their disliked tasks. To the extent that people feel that they are creating a burden for the service provider—rather than an opportunity to earn money—even those who could benefit from buying time might choose not to participate in the sharing economy.

This barrier to participation may be further reinforced by companies with reputations for paying low wages and offering no benefits. Encouraging consumers to recognize that at least some corners of the sharing economy do treat workers well may encourage them to buy time—potentially short-circuiting the negative relationship between financial affluence and time affluence.

Dr. Whillans is an assistant professor and Dr. Norton is a professor at Harvard Business School. Elizabeth Dunn, a professor of psychology at the University of British Columbia, contributed to this article. Email reports@wsj.com.

THE GAME PLAN

SPECIAL NEEDS, SPECIAL STRATEGY

BY LISA WARD

LaTanya and Greg Sothern need a financial plan that accounts not only for their future, but the future of their two boys, especially their 13-year-old son, Thomas III, known as Tre, who has autism and arthrogyposis (a condition limiting movements in his joints) and likely will need financial support through adulthood.

Ms. Sothern, a 47-year-old assistant principal at an elementary school, and Mr. Sothern, 48 and a fire marshal, live in Prince George’s County, Md., a suburb of Washington, D.C. Their younger son, Quentin, is 9 years old.

They earn about \$165,000 a year, but aren’t saving money. Ms. Sothern has about \$16,000 in a 403b tax-advantaged retirement account offered through her employer, but she stopped contributing to it in 2013.

During the recession, the couple’s wages were temporarily cut by the municipalities for which they worked, causing them to miss mortgage payments on their townhome. They amended the terms of their mortgage through the federal government’s Home Affordable Modification Program in 2013. The house is worth about \$210,000, and they owe \$154,000.

Ideally, they would like to sell it. Not only does Tre sometimes struggle to navigate the stairs, they also would like more space. Both Mr. and Ms. Sothern will have pensions when they retire. Both receive life insurance through their employers.

In addition to their mortgage, the couple owes \$12,432 in car loans and \$1,500 on credit cards.

Their monthly expenses include: \$1,394 for mortgage payments; \$410 on car payments; \$247 on car insurance; \$280 for cellphone; \$150 for landline, cable and internet; \$230 for electricity and water. The family receives health insurance through Ms. Sothern’s employer but they still end up paying about \$250 a month out of pocket for medicine and supplies.

Prince George’s County pays



A financial planner suggests the Sotherns monitor discretionary spending.

for Tre’s tuition and transportation to a private school specializing in autism. But education and child care still account for a large portion of the family’s spending. The couple pays \$1,400 a month for Quentin to attend a private school in Washington. They also pay a driver \$450 a month to take Quentin to school. In the summer, they pay about \$5,000 for camp and child care for both boys.

ADVICE FROM A PRO: The couple needs to prioritize discretionary spending, says Andrew H. Hook, a certified financial planner and attorney based in Virginia Beach, Va.

One area where they are being “eaten alive,” says Mr. Hook, is education. As they contemplate selling their home, they should research if they can afford a home in a public-school district where Quentin could receive a comparable education at a lower cost. Mortgage payments shouldn’t exceed 30% of their income.

The couple’s immediate goal should be to save about six months of expenses in an emergency fund. After that, they should use any extra money to fully fund their retirement-savings accounts. Mr. Sothern should open a 403b account through his employer, Mr. Hook says, and Ms. Sothern should resume contributing to hers. Finally, they should consider starting a 529 college-saving account for their younger son.

To begin planning for Tre’s future, the couple should meet with school officials to determine if he should continue working toward a regular di-

ploma or pursue a special-needs diploma instead, says Mr. Hook.

“A regular diploma is always the preferred option,” says Mr. Hook, but there are some big financial advantages to earning a special-education diploma. It would allow Tre to attend school until he turns 22 years old. Tre also would receive vocational training and transition planning where the school would identify publicly available programs for him after graduation.

Because state and federal programs that provide housing, vocational and transportation services to adults with disabilities often have very long waiting lists, the family should identify and apply for such programs soon, Mr. Hook says.

The couple also may want to consider hiring a local special-needs attorney. The lawyer could help them apply for Medicaid waivers, which could be used for expenses such as incontinence products and in-home care. The lawyer also could assist the family with transition planning.

The Sotherns need to set up a special-needs trust, and any inheritance or life-insurance payout should be placed in it, Mr. Hook says. Without such a trust, any money left to Tre by his parents or grandparents would make him ineligible for public benefits until he was down to his last \$2,000.

The couple also may want to consider buying additional life insurance to help support Tre after they pass, Mr. Hook says.

Ms. Ward is a writer in Mendham, N.J. Email reports@wsj.com.

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JOURNAL REPORT | WEALTH MANAGEMENT

To Spend Smarter, First Answer This Question

How much will you change in the future? Your response is surprisingly revealing.

BY SHLOMO BENARTZI AND
DAVID FARO

WE'D LIKE TO ASK you a question about your current self and future self. The question will involve a bunch of circles, but bear with us: Knowing which circles you identify with can help you determine if you should be spending more or less money now to live the life you want—and the life you can afford.

Let's start with your current self. Think about the qualities that make you the person you are now. Consider your personality, temperament, beliefs and values.

Second, consider the person you expect to be in a few years. How similar or different do you think you'll be?

Choose which of the seven diagrams in the accompanying table best reflects your expectation.

These circles measure a psychological concept called self-continuity. The term describes the tendency to identify with and connect to our future self. If your circles are mostly separate, then you tend to think of your future self as if he or she is a distinct person. You have low self-continuity. If you chose circles that are mostly overlapping, then you're exhibiting a high level of self-continuity—you tend to feel a greater connection to your future self.

A classic theory

For this discussion, it's important to understand that the higher the level of self-continuity, the more likely you are to make better financial decisions about the future. Self-continuity varies between individuals, but it can be manipulated—that is, people can be nudged into feeling more connected to the person they will be someday by, for example, engaging in mental exercises in which they visualize themselves at certain points in the future. So those who have low self-continuity can do something about it.

To understand why high self-continuity can lead to better spending decisions, it helps to know a classic economic theory called consumption smoothing.

The theory assumes that because people desire a relatively stable path of consumption, they should balance out spending and saving over the course of their lives to maintain the most consistent standard of living they can. That means if you're anticipating less income in the future, you should probably cut back now and save more, so you won't be



when anticipating changes in future income.

Drawbacks of prudence

This asymmetric response might seem like good news, at least for our bank accounts. While low self-continuity is often linked to impatience and overindulgence, this new research shows that, in certain instances, it might actually lead us to underspend. And if we don't spend money we don't yet have, we are less likely to accumulate credit-card debt and take out costly loans.

However, it's also worth considering the potential drawbacks of such prudence. Most workers will have an income peak late in life, toward the end of their careers. Unless they are willing to spend money based on their future expected earnings, they'll forgo all sorts of pleasures that they can probably afford to enjoy. Maybe it's a nice bottle of wine, or a skiing vacation with the family—we shouldn't pass up purchases that will make us happy just because of a psychological quirk that shapes our consumption decisions.

What's more, some experiences are best enjoyed when we're younger and in better health. This doesn't mean we should go out and buy a sports car or vacation house; if our expected income boost doesn't arrive, we'll be stuck with a mountain of debt we can't afford.

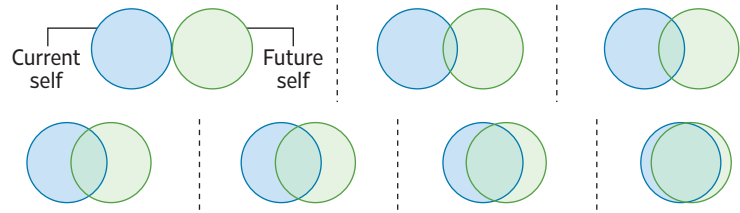
But it does suggest that if you are expecting to earn significantly more in the future and you chose circles that are far apart, you may want to consider indulging in small luxuries you've been putting off. Just as there are psychological tendencies that lead us to act irresponsibly—eat too much, not save for retirement—there are psychological biases that lead us to postpone pleasures we probably should be enjoying.

Knowing your level of self-continuity is useful because it can help you make decisions that strike the right balance between the needs of your present and future selves. Feeling connected to your future self can help you avoid overspending today without putting off affordable pleasures. After all, we never know how many days our future self has left.

Dr. Benartzi, a frequent contributor to the Journal Reports, is a professor and co-head of the behavioral decision-making group at UCLA Anderson School of Management. Dr. Faro is an associate professor of marketing at the London Business School. Email them at reports@wsj.com

How Do You See Your Future Self?

Choose a pair of circles that you feel represents the relationship between your current self and your future self.



Choosing circles that overlap means you are exhibiting a high level of self-continuity, or you expect to be "completely similar" in the future. If you choose circles that are mostly separate, you tend to think of your future self as a distinct person.

Source: "Don't stop thinking about tomorrow: Individual differences in future self-continuity account for saving. Judgment and Decision Making." Psychological Connectedness and Intertemporal Choice, Journal of Experimental Psychology

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forced to dramatically reduce your standard of living when you're older. But if you're anticipating more income, then you might want to spend more, even if it means incurring some debt, so you aren't abstaining from things today that could improve your life.

Many consumers don't engage in consumption smoothing, however. As is often the case, the economic theory doesn't fit with their psychological reality.

Why the disconnect?

When asked to explain why some people might not adjust their spending down or up in anticipation of income changes, economists typically blame factors such as myopia, the

difficulty of taking on debt, or worries that extra income won't actually materialize. But new research by Anja Schanbacher, David Faro and Simona Botti of the London Business School suggests that self-continuity also can play an important role in determining whether people engage in consumption smoothing. By measuring self-continuity levels, the scientists determined that the more people feel similar and connected to their future selves—their circles are mostly or totally overlapping—the more likely they are to adjust current spending based on expectations of future income.

This new work builds on previous research showing that self-continuity

can influence many of our everyday choices. People with low levels of self-continuity, for example, might indulge in too many desserts since they aren't really thinking about the future health consequences.

Low self-continuity also can impact finances. Interventions that enhance a person's sense of self-continuity—such as photo-shopping a picture to make someone look older—can lead to significantly higher savings rates because people invest more in their future when they feel more connected to it.

In the new study, the London Business School researchers found that when they took steps to heighten self-continuity in their study subjects, consumption smoothing increased. If the subjects were expecting a decrease in future income, they cut current spending. And if they were expecting an increase, they tended to boost what they spent. It didn't matter if they were considering a massage or a concert ticket—their willingness to spend was strongly influenced by how vividly they could imagine the person they would be in the future.

The scientists also discovered a quirk that can lead some people to act *too* responsibly: People tend to feel less connected to their future self when their future self has more money. The result is that consumers are naturally less likely to adjust spending upward than downward

Mistakes to Avoid With a Key College Financial-Aid Form

Some schools use the CSS Profile to determine aid. Getting it wrong can cost a lot of money.

BY VERONICA DAGHER

COLLEGE FINANCIAL-AID application season is coming soon. That means lots of angst, lots of questions—and lots of forms to fill out.

As a minimum, most families should fill out the Free Application for Federal Student Aid, or Fafsa. The Fafsa must be completed if the student wants to apply for Federal grants and loans. But some families will also need to complete the College Board's CSS/Financial Aid Profile, which certain schools—most of them private—use to determine how to award their own aid. Each form becomes available Oct. 1 to apply for the 2018-19 academic year.

The CSS Profile requires much more detailed financial information about the family, which can be helpful for families who want to better explain the nuances of their financial circumstances. The extensive data allows financial-aid officers to see deeper into the family's application, and may help identify a need, says Susan McCrackin, senior director for financial-aid services at the College Board.

But, filing out the CSS Profile provides more opportunities for families to make mistakes, which can end up costing them both time and money. Here's a look at some mistakes to avoid:

CONFLICTING INFORMATION. Colleges that require the CSS Profile also require a Fafsa, and all of the financial data requested on the Fafsa is also requested on the CSS Profile,

Tuition Aid

A CSS Profile may be needed to apply for institutional grants. Grants from all sources provided 58% of undergraduate aid for the 2015-2016 academic year.

Federal work-study and FSEOG*
\$1.5 billion

State grants
\$10.4

Private and employer grants
\$11.8

Veterans and military grants
\$12.8

Federal education tax credits and deductions
\$16.4

Federal Pell grants
\$28.2

Institutional grants
\$43.0

Federal loans
\$60.0

*Federal Supplemental Educational Opportunity Grants
Source: College Board Trends in Student Aid 2016

THE WALL STREET JOURNAL.

says Deborah Fox, founder of Fox College Funding LLC.

If there are discrepancies between the two, it will confuse financial-aid officers and delay the awarding of any aid offer. This could happen if, for example, a parent reports the value of the student's 529 account on the Fafsa, but reports the value of both the student's and his or her sibling's 529 accounts on the CSS Profile.

Having conflicting information also raises the chances of being chosen for "verification," a process that requires

the family to submit documentation to verify their numbers.

Double-checking numbers is very important, Ms. Fox says.

OVERESTIMATING INCOME.

While all questions about income on the 2018-2019 Fafsa refer to the 2016 calendar year, the 2018-2019 CSS Profile will ask detailed questions about the parents' 2016 income as well as less-detailed questions about 2017 and 2018 income. Parents will need to project their 2017 and 2018 income.

It's good to be conservative with your projections, and it's OK if the figures are slightly off, says Kalman Chany, author of "Paying for College Without Going Broke." There's no need to mention a potential raise or bonus unless you're certain it's going to happen. Self-employed individuals should estimate their projected net income after business expenses are deducted, Mr. Chany says.

If you've lost your job or received notice that you will be laid off and your income in 2017 and/or 2018 may be much less than in 2016, mention that in the "Explanations/Special Circumstances" section of the CSS Profile, he says. All the schools that receive your CSS Profile will see the information you write in that section. Be sure to contact the aid office of all schools directly—even those that don't require the CSS Profile—about this reduction of income. It may land the student far more financial aid than if the parent stayed silent, Mr. Chany says.

OVERSHARING INFORMATION. On the CSS Profile, some colleges will ask "Sup-



Georgetown University is among the schools using the CSS/Financial Aid Profile to determine how to award their own aid.

plemental Questions" chosen by that school. For example, a school may ask what cars the family owns. This information is used to help that school put the rest of the application in context, says Ms. Fox.

However, answer these extra questions only in the "Supplemental Questions" section, not in the "Explanations/Special Circumstances" section, she says. That way, only the college that asked that question will get the answer. If your explanation exceeds the available space, send that school a letter.

If a family discloses that it owns a newer luxury car in the "Explanations/Special Circumstances" section, which all of the schools see, and indicates in the standard questions that they have modest means or are experiencing financial hardship, it will likely raise a red flag at the financial-aid offices of all the schools the student is applying to, she says.

This new information may cause all the schools to require additional documentation or may be taken out of context

and reduce the family's financial-aid award, she says.

DOUBLE-COUNTING INVESTMENTS.

If a student's parents are divorced, it can cause confusion during the financial-aid process. College Board is updating the CSS Profile to make it clearer, Ms. McCrackin says.

It is the parent whom the student lives with most who should report their income on the CSS Profile application shared with the student, says Ms. McCrackin. If the student lives with both parents equally, the parent who provides the most support should enter their income, she says.

Schools that use the CSS Profile determine whose financial circumstances they will evaluate, she says. Some schools will only gather information about the custodial household (parent and their new spouse if remarried), other schools will ask for information pertaining to the noncustodial household (parent and their new spouse if remarried), Ms. McCrackin says.

Another consideration is how recently the divorce oc-

curred and whether the parents filed joint returns while married. The CSS Profile requires parents to report their income for the two years before the academic year for which they're applying for aid. If the parents are now divorced but were married during either of those years and filed or will file jointly, the parent who is completing the CSS Profile should separate his or her income from the total declared in those years. The parent should use his or her W-2 to report their income alone.

Interest or dividends earned jointly in those years should be reported at 50% on the CSS Profile. For example, if a joint return shows \$300 in interest income, the reporting parent should report \$150 in interest income on the CSS Profile, Ms. McCrackin says.

This will make sure that the interest isn't double-counted.

Ms. Dagher is a reporter for The Wall Street Journal in New York and host of the Watching Your Wealth podcast. She can be reached at veronica.dagher@wsj.com.

JOURNAL REPORT | WEALTH MANAGEMENT

In a Gig Economy, Retirement Planning Gets Tricky

No company-sponsored plan. No steady stream of income. It makes saving for later years a lot more challenging—and a lot more important.

BY CHERYL WINOKUR MUNK

FROM UBER TO ETSY to Lyft to Fiverr, more people are making their livelihood from freelancing. But directing a solo career—and not having a company-sponsored retirement plan—also means taking full responsibility for your retirement savings. And that’s an area where many freelancers may be falling short.

Saving for retirement can be particularly challenging for gig-hoppers who don’t always have a steady stream of income and aren’t automatically enrolled in a company retirement plan. Indeed, people who work for themselves may forget to set aside money regularly or don’t make it a priority.

“If you do nothing, you’ll have nothing,” says Ed Slott, a certified public accountant and founder of irahelp.com who educates consumers and financial advisers on retirement savings.

A good first step for freelancers is to understand their options. The choices they make will depend on factors such as their income, how

‘Whether you’re taking a gig or working full time for a corporation, you need the same long-term plan’

much they want (and are able) to contribute and whether they have employees or plan to hire them.

“Whether you are taking a gig or working full time for a corporation, you still need to have that same long-term plan,” says Stein Olavsrud, a certified financial planner and executive vice president of FBB Capital Partners, a registered investment adviser in Bethesda, Md. “Your long-term plan doesn’t stop just because your source of income has changed.”

Here is a look at some of the ways freelancers can achieve tax-advantaged retirement savings:

ROTH IRA

A Roth individual retirement account allows an investor to set aside after-tax income up to a specified amount each year. For 2017, that amount is \$5,500 (\$6,500 for those age 50 or older). While Roth IRAs provide no immediate tax advantage, earnings and withdrawals are generally tax-free after age 59½. There are income limits, however: In 2017, single filers are ineligible to contribute to a Roth IRA if they make \$133,000 or more; that figure is \$196,000 for a married couple filing jointly.

“For freelancers who often aren’t in a high tax bracket, to be able to put money away that will be tax-free for retirement, it’s a heck of a deal,” says Michael B. Keeler, a certified financial planner and chief executive of Peak Financial Solutions, a Las Vegas-based financial-planning firm.

Another advantage of the Roth IRA is that investors have access to their contributions, penalty and tax-free, if they should really need it, Mr. Keeler says. That may be particularly attractive for freelancers who don’t always have a steady income and could sometimes find themselves in need of cash.

For many freelancers, a Roth IRA is “probably the best way to dip your toes in the water,” because it’s an easy, no-frills way to start saving, says Mr. Slott.

That said, people whose income can vary greatly from year to year may not want to limit themselves to one type of plan. Say a freelancer contributes to a Roth IRA one year but exceeds the income limit the next year. In that case, it might be beneficial to be able to contribute to another type of retirement plan, one with higher contribution limits. Freelancers should ex-

plore all of their options, Mr. Slott says, since “each year stands on its own.”

SOLO 401(K)

A solo 401(k) has higher contribution limits than a Roth IRA and provides an upfront tax break. For 2017, people can contribute \$18,000 (\$24,000 if they are age 50 or above.) They can elect to make contributions on a pretax or after-tax basis or both; they simply designate the amounts that should go into each bucket with their plan administrator. Beyond this, they also can make a contribution as an employer—even if they work for themselves—generally of up to 25% of net earnings, provided the total contributions don’t exceed \$54,000 (\$60,000 if you are over age 50).

For help determining how much a person can contribute, the Internal Revenue Service website has a section on calculating retirement-plan contributions and deductions.

A solo 401(k) might be particularly attractive to freelancers who make too much money to contribute to a Roth IRA, or who want to set aside more money than they could in other types of retirement vehicles.

“It gives you the flexibility to put a lot more away,” says Don Riley, chief investment officer at Wiley Group, a registered investment adviser in West Conshohocken, Pa. There is typically no cost to set up a plan—and there is no IRS filing requirement, unless the plan balance exceeds \$250,000 of assets—and even then it’s an easy form to fill out, he says.

Mr. Slott recommends freelancers consider the Roth option on the solo 401(k), where contributions are after-tax and withdrawals are usually tax-free in retirement. Although some people might prefer getting the tax break up front, tax deductions are often spent rather than invested, he says. Letting the money grow in a 401(k) tax-free instead, is “another way to pay yourself first,” Mr. Slott says.

SEP IRA

Any business owner with one or more employees, or anyone with freelance income, can open a Simplified Employee Pension Individual Retirement Arrangement, or SEP IRA.

The plan offers tax-deferred growth potential and contributions are tax deductible. How much a person can contribute can vary each year; contributions are limited annually to the smaller of \$54,000 (for 2017) or 25% of an employee’s compensation.

Unlike other retirement plans, investors can establish a SEP IRA and make contributions all the way up to their tax-filing deadline, including extensions, which offers additional flexibility for freelancers.

SIMPLE IRA

A Savings Incentive Match Plan for Employees Individual Retirement Account, more commonly known as a Simple IRA, can be opened by anyone who is self-employed or who owns a small business with 100 employees or fewer. Like a 401(k), a Simple IRA allows employees to make pretax contributions. Employers are required to make either matching or nonelective contributions for each employee that participates in the plan, and they get a tax deduction for doing so.

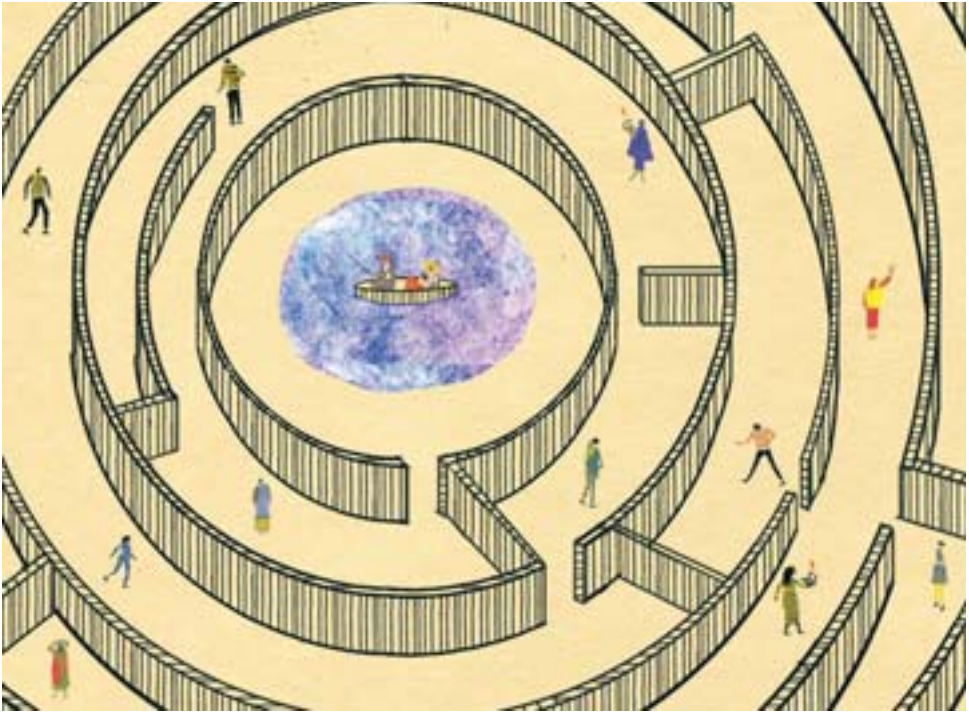
Employees can contribute up to \$12,500 in 2017 and an additional \$3,000 if they are age 50 or older; the employer match is additional. They can defer a greater percentage of their earnings than in a SEP IRA, but the maximum contributions are less than a SEP IRA or solo 401(k); it’s also a slightly more complicated plan because there are more variables that need to be considered when determining annual contribution levels.

If somebody is unsure about which option may be best, they can always consult a

financial adviser or certified public accountant. Also, they can plug in their net income on Bankrate.com and determine how much they can put into a variety of different account types.

“You really have to be diligent when you are freelancing,” says Jessica Landis, a certified financial planner and director of financial planning at Janney Montgomery Scott in Philadelphia. “The younger you start, the better off you’re going to be.”

Ms. Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.



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JOURNAL REPORT | WEALTH MANAGEMENT

Apps and Websites to Teach Tweens About Money

These tools allow children to make decisions about spending, saving and donating, within limits

BY CHERYL WINOKUR MUNK

MOST TWEENS and young teens have a lot to learn about managing money. Fortunately for parents, a growing number of mobile digital tools are available to teach their children what they need to know.

These apps and mobile-friendly websites allow tweens and teens to make decisions about spending, saving and donating their money, while giving parents the option to monitor their children's financial decisions and veto certain purchases or categories of merchants.

The goal in teaching children about money should be to give them enough freedom so they feel they are accomplishing something independently, while also having regular conversations about how to achieve financial goals and avoid costly mistakes, financial professionals say.

"The app is just a tool in the toolbox," says Megan Gorman, managing partner at Chequers Financial Management, a registered investment adviser in San Francisco. "Teaching someone how to interact with money in a healthy and positive way requires more of a coaching aspect."

Indeed, to be most effective, parents have to be heavily involved with their children's finances, at least at the beginning, and then they can give children more freedom as they gain understanding, says Paul Gentile, president and chief executive of the Cooperative Credit Union Association in Marlborough, Mass., a trade group that provides its member credit unions with educational materials for children, among other services.

Regardless of the tools parents use, it's critical to allow children to make some mistakes with their money, says Ted Beck, president and chief executive of the National Endowment for Financial Education, a nonprofit based in Denver. He suggests parents turn these missteps into teachable moments. "Avoid the gotchas, avoid the lectures. That's not what you're trying to achieve," he says. "You're trying to give them the confidence needed to run their adult lives."

Here's a look at some of the smartphone-friendly tools



Platforms such as BusyKid, Greenlight and Chore Check allow parents to monitor their children's spending and saving decisions.

available to help parents teach teens and tweens about spending and saving.

BusyKid

busykid.com

BusyKid is a mobile-friendly online platform (an app is slated for late September or early October) that focuses on teaching children to manage the money they earn by completing assigned chores. A subscription costs \$14.95 a year per family.

Parents can link BusyKid to their bank account or to a credit card to move money into an FDIC-insured BusyKid account for their children. There's a set payday—Friday—for children to receive their funds, assuming they have completed their chores.

During the setup process, parents determine what percentage of a child's weekly allowance can be spent and how much will be saved or set aside for charitable donations.

If a child wants money to spend and a parent approves, the money can be moved to the parent's bank account, and the parent can then give the child cash or make a purchase for the child. Or, for an extra yearly fee of \$5 per child, the money can be stored on a BusyKid debit card for the child to use. A child also can choose to buy a gift card from any of more than 200 retail-

ers, with a parent's approval.

For donations, children can choose from more than a dozen charities supported by BusyKid, again with a parent's approval.

Children can also learn about investing by purchasing stock with the money in their savings, if a parent approves. Stocks in the account can also be sold. There are no transaction fees to buy or sell stocks. As of this month, two children from each new family that enrolls on the platform receive as a bonus \$10 each to spend on a stock or on fractional shares of a stock of their choosing.

BusyKid provides information including a company overview and performance charts for dozens of stocks.

Chore Check

chorecheck.com

Chore Check is similar to BusyKid but offers a free version as well as a paid one. The free version allows parents to assign chores and children to request money for finished jobs. Parents can decide how much of the money their children earn can be spent and how much will go to savings and donations. Chore Check keeps track of how much each child has in each of those buckets.

For \$9 a month (with the first month free), parents can

link a bank account to Chore Check and load spending money onto as many as three debit cards for their children to use. Links can also be set up to move money into children's savings accounts. Parents can see any purchases made with the debit cards and the card balances.

Chore Check can be used on any mobile device or computer using a web browser. As an app it is only available for Apple devices, but the company is planning an Android version for later this year.

Catherine Connors of Los Angeles uses the Chore Check app to replenish her 11-year-old daughter's Chore Check card either twice a month or monthly, depending on how much she earns from chores. Ms. Connors won't replenish the card unless she owes her daughter at least \$20. While her daughter sometimes balks at the restriction, Ms. Connors doesn't want her to approach earning and saving as if it's an "ad hoc enterprise. I want her to think not only short-term but midterm and long-term—to be strategic about her earning, saving and spending," she says.

"If we go to Target, and she says she wants to spend the remaining \$30 on her card, when it's gone it's gone, and we've had those conversations many times," says Ms. Con-

nor. "For kids, impulse control with shopping is an issue. But learning about the cost of impulse shopping the hard way is an important lesson."

Current

current.com

This app gives parents visibility into how their children are spending and saving; they get alerts when transactions are made, can see on a map where the store is and can see how their child has spent at that store over time. The app also allows parents to control their children's spending by blocking purchases from specific merchants or categories of businesses.

A subscription, for \$36 a year, includes a single debit card that parents can load with automated allowance payments or add to as they wish. Parents can create chores or other payment conditions. Teens can track their spending and savings as well as choose to donate to thousands of local and national causes. They can also use the app to request money from parents for one-off expenses.

FamZoo

famzoo.com

Using an app on an iPhone or iPad, or mobile-optimized screens on an Android device, parents can load debit cards for their children with an al-

lowance or any additional payments. They can also bill children for their portion of shared family expenses and charge them for missed chores. Using FamZoo, children can request money, and parents can approve or deny the requests, by email or text. And parents can choose to set up instant text or email alerts about activity on a child's card, which includes the amount spent, where it was spent and the remaining balance on the card.

The subscription fee varies depending on the payment option chosen. It's \$5.99 a month per family if paid monthly, but \$2.50 a month per family if \$59.99 is paid in advance for 24 months. Four debit cards are included in the price; families can request additional cards for a one-time fee of \$2 each.

Greenlight

greenlightcard.com

This app costs \$4.99 a month for as many as five debt cards. Parents can choose to limit a child's spending to just a few trusted stores, and they can get instant alerts showing where and when a child uses the card. Parents also can review a child's spending by month or store at any time. Children who want to request extra money from parents can include a picture of what the money is for.

Melanie Cox McCluskey, a copywriter in Pittsburgh, likes the idea of having more control over her 10-year-old daughter's spending. She's a Greenlight subscriber and initially put \$20 on a prepaid card for her daughter, an amount she replenishes as needed. Eventually she expects her daughter will add the money she earns from odd jobs so Ms. McCluskey won't have to add funds as frequently. Ms. McCluskey says she gives her daughter the freedom to make spending choices, but feels more confident knowing she can make certain stores off-limits.

"It's just as much for their benefit to learn about money as it is for my ability to have control over spending," Ms. McCluskey says.

Ms. Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.

The Surprising Relationship Between Student Debt and Retirement Savings

The surprise? There may not be a relationship at all.

BY DEMETRIA GALLEGOS

DO STUDENT LOANS hurt retirement savings?

Conventional wisdom says yes. After all, having to divert money toward student-loan payments can make it difficult to start building a nest egg. And the earlier people start saving for retirement, the more they can benefit from the power of compounding.

But having steep educational debt may not affect young people to the extent you might think, according to researchers at the Center for Retirement Research at Boston College.

With data from 1,400 subjects, they studied the relationship between debt and retirement-savings behavior and found that while there is a connection, it isn't proportional. That is, those with steep debt have about as much saved for retirement by age 30 as those with very little student debt.

While those with zero student debt were further along than everyone else, the more substantive differences in retirement saving were found between those who had completed college and those who failed to obtain a degree.

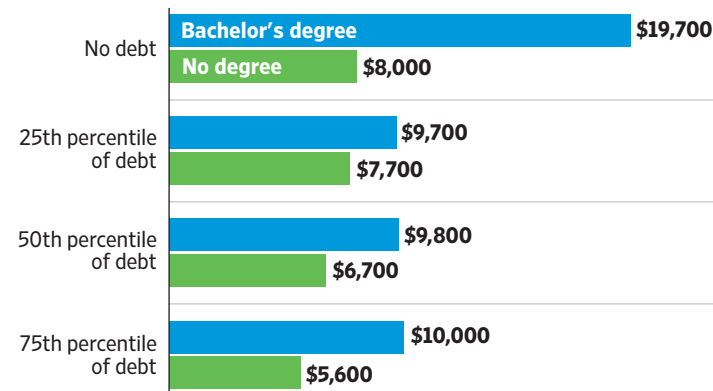
Lead author Matthew S. Rutledge, a research economist, explained his findings and their implications for young people juggling debt service and retirement savings. Here are edited excerpts from the interview.

WSJ: *Why did you want to study this?*

MR. RUTLEDGE: We've heard a lot of talk about how young people

Road to Retirement Savings

Retirement-savings balances by age 30 for degree and nondegree holders with various levels of student debt



Source: Center for Retirement Research at Boston College

THE WALL STREET JOURNAL.

are really going to be behind the eight ball when it comes to starting their retirement savings. We know the generation ahead of them isn't saving as much as they could be even though they don't have student debt nearly to the same degree. So we were concerned that young people would be even further behind.

We looked at people who are at the very front edge of the student-debt boom. Our [study participants] were born between 1980 and 1984, graduating in the early 2000s, and since then we've seen a quintupling of student debt.

The numbers can't add up. If they're spending more on their student-loan payments every month, that money has to come from somewhere. Is it from running up credit cards or not buying a house? Or is it from lower retirement savings?

WSJ: *What did you find, and how do you explain it?*

MR. RUTLEDGE: The results indicate that college graduates with debt have about half as much retirement wealth by age 30 as those who graduate without debt. Degree-holders with no debt have more than twice as much saved as nondegree-holders with no debt.

But what's interesting is that the people with large loans (75th percentile) and the people with small loans (25th percentile) have about the same retirement wealth accumulation.

It doesn't seem to fit any sort of a rational model where people look at how much money they have and decide what they can afford to save for retirement and what [they need] to pay back loans. It seems that student loans just play an outsize role in people's head. The presence of a loan looms large

over their financial decisions. [Those with minimal debt] act as if they're just as constrained [as those with major debt.] But if you were to look at the dollar level, they probably aren't. It just seems that people are focusing on the fact that they have a student loan, and only after that is finally paid off do they get around to saving for retirement in any substantial way.

WSJ: *How might people change their savings behavior based on your study?*

MR. RUTLEDGE: It may be more advantageous to think about what you can actually afford. If your loan payment is small and your interest payment isn't too high, pay the minimum monthly payment and contribute more to your retirement savings. Unless your [student loan] rates are high, you'll likely get a higher rate from saving in an equity index fund. In both cases, you're increasing your net worth.

The longer it takes for you to actually get started contributing at rates that would allow you to save enough for retirement, the harder it's going to be for you. It isn't just the power of compounding, it's habit forming.

WSJ: *What other takeaways emerged?*

MR. RUTLEDGE: Finish the degree. People without degrees aren't doing as good a job as people with degrees at saving for retirement.

It's worth taking out student debt if it's going to result in a more lucrative and fulfilling career. The important thing is to start saving, period. If student loans are distracting you from that, it's worthwhile to consider if you can afford to contribute more.

Ms. Gallegos is a news editor for The Wall Street Journal in New York. Email her at demetria.gallegos@wsj.com.

ADVISERS' VOICES

PAT SIMASKO

MISSTEPS WITH INHERITED IRAS

Poor communication between financial advisers and attorneys can lead to big missteps with inherited individual retirement accounts.

The issues stem from a 2014 landmark ruling by the Supreme Court that says assets held in inherited IRAs are no longer protected from creditors and can be seized during events such as divorce or bankruptcy. Following that ruling, designating a trust rather than an individual as the beneficiary of a qualified account has become a popular and effective asset-protection strategy.

Creating the trust, however, is just one step in the process. Big problems can emerge during the actual transfer of assets from the former owner of the IRA into the trust itself. That's because the 60-day rollover rule—which allows someone to take tax-free distributions from a qualified account if they reinvest those assets in another qualified account within 60 days—doesn't apply in the case of inherited IRAs.

Should those assets pass to the successor trustee, the distribution is taxable as ordinary income regardless of whether it is reinvested within the required window. There must be a direct transfer from one custodian to the next beneficiary IRA custodian. An attorney unfamiliar with that nuance could potentially cost someone tens of thousands of dollars.

There also are cases where a misunderstanding on the part of the IRA's custodian results in a claim being processed incorrectly and a distribution being made to a nonqualified account, triggering a taxable event.

In the case of an inherited IRA, attorneys and advisers should sit down together to review each step of the transition process and to verify that the institution that holds the IRA understands exactly how to handle the transfer.

There's too much at stake for estates not to be executed perfectly.

Mr. Simasko is an adviser and partner at Simasko Law in Mount Clemens, Mich. He can be reached at reports@wsj.com.

JOURNAL REPORT | WEALTH MANAGEMENT

Art Collectors, Pay Your Taxes

States are targeting those who avoid sales or use levies

BY DANIEL GRANT

STATES ARE CRACKING down on art collectors who aren't paying taxes owed on their purchases.

States don't release details about investigations into evasion of taxes on art purchases. But according to lawyers representing defendants in such cases, state attorneys general and revenue departments around the country have stepped up their investigations and prosecutions for failure to pay sales and use taxes on art purchases.

Thomas C. Danziger, a New York City art lawyer, says investigators in New York and other states monitor art sales through data mining that includes examinations of declared items coming through U.S. Customs, regular audits of major art galleries, reviewing news about art buying in the media, searches of interstate shipping logs and sharing of information with other states. The state attorney general's office wouldn't confirm this information.

San Diego tax attorney Sam Brotman says that the increased focus by state officials isn't just on uncollected taxes on purchases of art. "They also are tracking sales of other big-ticket items such as boats, luxury cars, airplanes and jewelry." But artworks have become a point of particular concern, he says, especially in California and New York, which are the two largest art markets.

Some prosecutors also have gone after gallery owners who they say have colluded with collectors to evade the required taxes. Charges also have been filed against art dealers who fraudulently claimed that their purchases were exclusively for resale, a legitimate exemption, when in fact the artworks were for their personal enjoyment.

Some finance professionals argue that many transgressions aren't intentional, but rather the result of a lack of clarity in the tax laws.

"The rules aren't clear, and there is a huge matrix of complexity people get trapped in," says David Lifson, a tax accountant with New York-based firm **Crowe Horwath** LLP. For example, most people wrongly assume the vendor pays the sales tax, he says. But it is the buyer who is required to



pay the sales tax, at the time of purchase, unless the piece is being shipped to another state. In that case, a use tax is charged by the destination state. Use taxes typically are equal to the sales tax in each state.

In New York City, the sales tax is 8.875%. Thus, if a \$1 million painting was purchased in New York City and was put in the buyer's New York home, it would entail a sales tax of \$88,750. If it were shipped to a buyer's home in Connecticut, where the sales tax is 6.35%, it would result in no tax charged by New York, but a Connecticut use tax of \$63,500.

To avoid legal problems, lawyers and other experts who advise art collectors recommend keeping good records: the price paid for an artwork; where it was shipped to; and where it has been stored or displayed.

Purchasers of art destined for another state also must be very careful about how the piece is shipped to avoid owing local sales tax. In New York state, the gallery or other seller has to arrange the shipping directly and use a "common carrier," such as UPS, Federal Express or the U.S. Postal Service. If the buyer takes the item and brings it to the shipper, he or she technically has taken possession of it in New York state and owes the sales tax, says New York lawyer Amelia Brankov.

Collectors in California can avoid that state's sales and use taxes if the artwork is shipped directly to another state and displayed there for more than 90 days, says Mr. Brot-

man, the San Diego attorney. Moreover, he notes, if the artwork is shipped directly to Oregon, which has no sales or use tax, and displayed there for more than 90 days, the buyer can avoid taxes altogether. Several art museums in Oregon have participated in this kind of arrangement before the pieces are ultimately shipped back to the purchaser's home in California.

Most other states, including New York, don't allow this. If someone who purchased artwork in another state moves it to a residence in New York, even after a period of years, that person will still owe a New York use tax, although the taxpayer would receive credit for the sales or use tax already paid and only would owe the difference between the two.

Private art collectors and investors also have sent their purchases directly to fine-art storage facilities in Delaware, such as **Crozier Fine Arts** and **Delaware Freeport**, where the purchases are tax exempt. The collectors forego paying either sales or use tax until they choose to ship the artworks to their homes, says Fritz Dietl, founder and president of Delaware Freeport. For some, "their homes already are full of art, so they might as well store new works where it is tax-exempt," Mr. Dietl explains. For others, he claims, the issue is deferring taxes until some more propitious time.

Mr. Grant is a writer in Amherst, Mass. Email reports@wsj.com.

Spending Too Much? This Isn't Going to Help.

Electronic reminders make tightwads even tighter, but have no effect on others

BY LISA WARD

CAN ELECTRONIC reminders help curb spending? Apparently they can, but only among individuals who would be better off not getting them.

Tightwads, or people who already spend too little money for their own good, are more likely to heed electronic reminders than either overspenders or those who have no worries about their spending habits, according to new research from a group of assistant professors at the **University of Wyoming**.

"The paper shows that nudges can simultaneously have no effect and actually be harmful in getting people to behave optimally," says Stephen Roll, a research assistant professor at the Brown School at **Washington University in St. Louis**, adding that while there is a growing body of evidence on the drawbacks of various types of nudges, few papers look at how nudges affect various subgroups differently.

The Wall Street Journal spoke with Linda Thunström, who wrote the working paper along with Ben Gilbert and Chian Jones Ritten. Edited excerpts of the conversation follow.

WSJ: Can you describe how the study worked?

DR. THUNSTRÖM: We paid 341 university students and staff to come into our lab. We then asked them if they wanted to spend money we had just given them on locally produced honey. Some of the participants received an electronic nudge or reminder designed to stop them from spending the money. Others didn't. It turns out the nudge only affected tightwads, or those who believe they already spend too little money for their own good.

WSJ: Were your results surprising?

DR. THUNSTRÖM: Yes. We expected the nudge's impact would be minimal on tightwads, who were very aware of their spending. Spendthrifts or unconflicted participants, we thought, would benefit more from the reminder since they don't pay as much attention to their spending. Behavioral scientists often think people are indifferent or unharmed by irrelevant information, but that doesn't seem to be the case in this study. Here the added information caused the wrong emotion in the wrong people.

WSJ: Why do you think the nudge had a bigger effect on tightwads?

DR. THUNSTRÖM: The nudge created an emotional tax for the tightwads. Salience labels—things like electronic spending reminders, smoking warnings and calorie labels—are designed to evoke emotions. The pain can help regulate behavior. But tightwads already feel excessive pain from spending money and we think the nudge exacerbated that pain, while evoking nothing in the other groups.

WSJ: Does the study have any implications for how people should regulate their own spending?

DR. THUNSTRÖM: If you are a tightwad, it is best to avoid spending situations that cause you pain. That could mean finding shopping venues that are quick and easy. We don't report this in our study, but our data show that the more time tightwads spend shopping or thinking about a purchase, the less likely they are to end up spending money.

For spendthrifts, they may want to avoid apps or other programs with electronic spending reminders and instead rely on automatic withdrawals to regulate spending and help them save money. Those tools have been shown to work more broadly.

Ms. Ward is a writer in Mendham, N.J. She can be reached at reports@wsj.com.

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JOURNAL REPORT | WEALTH MANAGEMENT

THE EXPERTS



Insights on Portfolios, Retirement and More

The Experts are a group of industry and thought leaders who blog about issues in their fields of expertise. Edited excerpts follow. For more, go to WSJ.com/Experts.

THE PROBLEM WITH TOO MUCH PORTFOLIO DIVERSIFICATION

When it comes to having a diversified portfolio, the conventional wisdom is pretty clear: Don't put all your eggs in one basket. Spreading our wealth across different investments, including over different asset classes and geographies, can help us avoid potentially unforeseen catastrophic risk that may arise from just a single investment.



But you can have too much of a good thing, and diversification is no exception. At a certain point, the costs of adding another investment to a portfolio can exceed its marginal benefit.

"What costs?" you might ask.

◆ **We risk losing the forest for the trees.** Over-diversification can create a burden of choice where we become distracted by minute details instead of focusing on the real drivers of risk and return. With too many levers to pull, we run the risk of quibbling about a 3% position in gold instead of focusing on the things we can control—and are likely more important—like our risk tolerance or our savings rate.

Portfolio construction is a bit like baking a cake. Most cake recipes call for a pinch of salt to enhance the flavor of other ingredients. They also typically call for about 280 times that amount of sugar. Forgetting the salt is OK. Forgetting the sugar isn't.

◆ **We risk mistaking quantity for diversification quality.** A larger number of investments doesn't necessarily imply greater diversification. For example, whether we hold just the SPDR S&P 500 ETF (SPY) or all 500 underlying constituents, we remain equally diversified. In fact, regardless of the number of holdings, most traditionally allocated portfolios are saturated with equity risk. Over-diversification can create a false sense of confidence whereby we believe we are well diversified, but in reality, a large number of investments actually share a common risk.

◆ **We risk paying a lot for nothing.** The potential value of an active manager is in the bets he or she takes that are explicitly different than the market. While combining multiple active managers can be a great way of benefiting from diversification in process and views, unfettered diversification can quickly turn into dilution. Combining too many ac-

tive managers can lead to a situation where the combined active bets cancel each other out or become overly diluted. In this situation, we end up paying active management fees for what converges back to passive index performance.

◆ **We risk losing transparency.** Prudent risk management requires us not only to understand each investment we make, but to understand how the investments work together to create a comprehensive portfolio. For example, let's say our portfolio is a simple combination of an S&P 500 fund and a Bloomberg Barclay's Aggregate Bond fund. To understand risk in our portfolio, we have to not only monitor these two positions, but also how the funds interact. If we add a third fund—say a Bloomberg Commodity Index fund—we must now consider how stocks mix with the bonds, how stocks mix with commodities, and how bonds mix with commodities. Each further position added increases the number of interaction effects we must consider—a number that can rapidly grow out of control.

Even if we can manage to accurately estimate and track the vast tangle of cross-asset, geographic, investment style, and security dynamics—the interaction effects of our ingredients—to design an objectively optimal portfolio, little remains static in financial markets. Changing dynamics means that today's optimal portfolio may no longer be optimal tomorrow, which leads us back to square one: watching our basket all day.

◆ **We risk losing sustainability.** An understandable portfolio is a sustainable portfolio. If we throw too much into the mix, we risk no longer understanding what is actually driving risk and return. Worse, we risk unintentionally introducing risks we may not even be aware of. Simple, transparent approaches are likely to be far more robust than overly complicated ones.

As we like to say, the optimal portfolio is, first and foremost, the one we can stick with.

Few will disagree that diversification is a good thing. Investors should be wary, however, not to overreach in their pursuit of diversification. For the vast majority, hitting the right risk is likely 90% of the battle.

Introducing diversification just for diversification's sake can lead an investment plan off course.

Instead, investors should diversify with a purpose, mitigating those risks they aren't compensated for bearing while leaving exposure to the asset classes and active strategies that drive long-term portfolio growth.

—Corey Hoffstein, co-founder and CIO of asset-management firm Newfound Research and blogger at *Flirting with Models*

WHY YOU MAY WANT TO CONTRIBUTE TO YOUR CHILD'S RETIREMENT

Parents or grandparents of recent college graduates who want to help children get on the right financial footing may actually want to focus on their retirement.

Recent graduates tend to be in low tax brackets in their early working years—when it pays for them to save as much as they can in a Roth IRA or Roth 401(k). And a matching contribution from a parent or grandparent could make a huge difference. In some instances, the payoff could be greater than

pretax funds in a 401(k). This would reduce his income by \$2,000, which would reduce his taxes by \$200.

Alternatively, he could save \$1,800 of after-tax funds in a Roth 401(k). These contributions are equivalent because each would reduce this year's spending by \$1,800.

In either case, we'll assume that Bob invests the money in the same mutual fund that averages a 7.21% return for the next, say, 53 years at which time Bob will be 75. Its value increases 40 fold and Bob anticipates being in the 25% tax bracket when he retires.

Tax law allows Bob to contribute up to \$18,000 to a Roth 401(k) for 2017. Obviously, his limited income would prevent him from making such a contribution level. However, suppose Bob has parents or grandparents who are willing to give him \$10,200 as a gift to add to the \$1,800 he is able to contribute to his Roth 401(k). In this case, Bob could contribute a total of \$12,000 to his Roth 401(k) for the year. If this \$12,000 grows at 7.21% for 53 years, it would be worth \$480,000 after taxes when Bob is 75. And this doesn't take into account any additional contributions Bob will make over the course of his career.

If Bob's employer doesn't offer a retirement plan, perhaps with the financial assistance of his parents, he could contribute \$5,500 to a Roth IRA—which could be worth \$220,000 at age 75.

Sure, Bob's parents or grandparents could buy him a used car costing \$10,200 instead. But I believe a lot of young graduates would prefer the jump-start on a financially secure retirement.

—William Reichenstein, Powers Professor at Baylor University and head of research at *socialsecuritysolutions.com*



starting out with a tax-advantaged IRA or 401(k).

Take the example of Bob, who graduated from college this year at age 22. Bob may retire in 43 years, and will likely need to save for a 30-year retirement. For every three years of work, he must save for 2-plus years of retirement.

Bob will begin work in sales in September and expects to earn an annual starting salary of \$57,000, which translates to \$19,000 for the remaining four months of 2017. As his sales base grows, his annual income is expected to grow. His employer offers a 401(k) and a Roth 401(k).

Bob will be in the 10% tax bracket this year and is willing to reduce this year's spending by \$1,800. He could save \$2,000 of

HOW TO HELP COLLEGES TEACH FINANCIAL LITERACY

Many families will soon be engaged in a not-so-pleasant ritual: writing college tuition checks or filling out student-loan paperwork. As you send off your hard-earned money, you might want to find out what your child's—or your own—school is doing to improve student financial knowledge. Are your children going to be prepared to pay their student-loan debt and manage the rest of their financial lives effectively?

A recent survey of 2,000 adults from the National Endowment for Financial Education found 53% of respondents believe financial education gets the best results in college, second only to high-school instruction (68%) and ahead of lessons in the home (43%). And nearly half of respondents (47%) think financial literacy helps keep people out of debt.

I often hear people gripe that nothing is being done to help college graduates establish positive money-management behaviors. I agree that schools should be doing more. But when I transitioned to the financial-education community 12 years ago, there wasn't any action from colleges and universities.

Now there are hundreds of institutions taking responsibility and doing something to see this vision through. Here are a couple examples of those taking the lead.

The University of Wisconsin-Madison offers two 16-week courses for one credit that teach money management. One offering is directed at freshmen and sophomores and the other at juniors and seniors. These courses are supported by peer counselors from the personal-finance major who conduct small group sessions. The UW alumni association also has long-offered a free one-day workshop for graduating seniors in cooperation with local financial professionals that draws up to 300 attendees.

The University of North Texas has a student money-management center that includes online resources, workshops, seminars, personal consultations, and if eligible, loan programs. The center reaches more than 9,000 students each academic year.

IMPROVING FINANCIAL LITERACY SHOULD BEGIN IN THE TEENS

When it comes to financial literacy, U.S. teenagers' are average—and not getting any better.

The latest data from the Programme for International Student Assessment, or PISA, reveal several disturbing findings. Not only are financial-literacy levels low and not getting any better, but the differences in teenagers' financial literacy levels are larger within—rather than across—countries.

Every three years since 2000, PISA has assessed the reading, math and science knowledge of 15-year-olds around the world. Since 2012, the program, which is headed by the Organization for Economic Cooperation and Development, has also measured students' financial literacy.

When the latest findings were released in late May, it became clear that the needle on the financial literacy rate in the U.S. hasn't moved in the past three years.

Young Americans remain entrenched in the average range. In the 2012 assessment, they scored an average of 492. In 2015, they scored 487. The average for the OECD countries in 2015 was 489.

This inertia is alarming because, if anything, American teenagers' need for financial knowledge has grown more urgent over the past three years. Student loans for college have ballooned to \$1.4 trillion. The average student leaves college owing more than \$30,000, according to the Institute for College Access & Success. These students know little about their loans. Many haven't even attempted to calculate what it takes to repay them.

Financial decisions made early in life are consequential. Young Americans carry greater responsibility than previous generations for mapping their own financial security, not just at retirement but for an entire lifetime. And they must do so using the most developed and complex financial products and markets in the world. The latest PISA scores are clear evidence that young people don't have the savvy to manage the responsibilities awaiting them.

U.S. teenagers are already making financial decisions. Yet more than 20% have below proficient levels of financial literacy. That means it isn't just about future stakes. The present, too, is dangerous for these young people.

Amid all this, there is another finding that should give us pause: U.S. teens show

The California Community College System is helping create financially literate young adults by embedding education programs at all 114 colleges in the system. They intend to reach their more than two million students.

Other schools with impressive programs include the University of Arizona, Texas Tech and George Washington University.

Rather than complaining that college graduates don't know enough about managing money, here's what you can do:

- If your college of choice is currently not engaged in offering financial-education programs, challenge them and ask why.
- As a parent, exercise your influence and



get young adults to sign up for noncommercial online courses offered by various organizations.

• If you're a financial professional, why not pay back your alma mater or school in your community by volunteering to teach money-management workshops?

• If you're a school administrator, become a champion and launch a program on your campus. There are lots of good examples out there. One is from the St. Louis Fed, which recently built a college and career readiness course. It is a good model.

We should not limit our focus on the college diploma. Let's ensure that we all are helping young adults make smart financial decisions in college and beyond.

—Ted Beck, president and CEO of the National Endowment for Financial Education, a member of the President's Advisory Council on Financial Capability for Young Americans and chairman of the Jump \$tart Coalition

greater knowledge gaps when compared with each other than when compared with their counterparts in other countries, such as Australia, Spain or Brazil.

This inequity is huge. The gap between U.S. students scoring in the top (or 90th) percentile and those scoring in the lowest (or 10th) percentile is 280 points. That equates to more than three proficiency levels. The U.S. isn't alone. On average across OECD



countries, the gap between the top and bottom percentiles is 285 points.

What explains those differences in the U.S.? Socioeconomic status plays a big role. Within this are parents' education levels and occupations, home possessions (which can be used as proxies for wealth), and the number of books and other educational resources available at home. In other words, financial literacy is currently a privilege of those who can afford it.

Interestingly, only in the U.S. and Australia does socio-economic status explain a larger percentage of the variation in financial literacy than of the variation in other topics, such as reading performance.

The most scalable solution to this problem would be to teach financial literacy in school. We need students to be financially literate before they make financial decisions, such as whether to go to college and how much to borrow to finance that education.

We also must open access to financial education to a broader group of young people. If we fail to do this, not only will our youth start on an unequal footing, but their inequality gap will continue to grow.

At the same time, we no longer should settle for "average." The country with the most developed financial markets cannot afford to have so many teenagers who fail to understand even basic financial literacy concepts.

—Annamaria Lusardi, Denit Trust Chair of Economics and Accountancy at the George Washington University School of Business

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JOURNAL REPORT | WEALTH MANAGEMENT

A Startup Targets the High Cost of Bankruptcy

Nonprofit wants to help people pull together the information without needing to hire a lawyer

BY KATY STECH FEREK

A NONPROFIT STARTUP is tackling what consumer advocates say is the biggest barrier that financially struggling people face in their efforts to get a fresh start: the surprisingly steep cost of bankruptcy. The founders of **Upsolve** have created a TurboTax equivalent for bankruptcy designed to help people with basic financial problems—such as mounting medical or credit-card debt—pull together information for a chapter 7 filing

Upsolve founder. That expense, he and others say, can deter people from filing even if they would benefit from such a move.

Riskier route

While filing for chapter 7 protection is the simplest way for debt-laden consumers to get a fresh start, the cost of such cases jumped when Congress in 2005 passed a law designed to reduce perceived fraud. The law added paperwork and required filers to attend credit-counseling classes at their own expense. The result, according to a 2012 University of Maine study: The overall cost of an average successful chapter 7 filing rose to about \$1,300 from \$868.

The law caused a “permanent drop in the chapter 7 bankruptcy rate” and a rise in the rate of insolvency and foreclosure, a 2015 Federal Reserve Bank of New York study found.

Some people who can’t afford a chapter 7 filing turn to a riskier type of bankruptcy: chapter 13, which is designed for those with homes or other major assets to protect. The fees associated with a chapter 13 case can be paid over time, unlike chapter 7 fees, which generally must be paid upfront.

Alabama bankruptcy judge Henry Callaway, an Upsolve advisory board member, says he couldn’t figure out after his May 2015 appointment why some of the state’s poorest counties had the highest rate of chapter 13 cases, which require up to five years of monthly payments before any unpaid debt can be canceled. Local lawyers told him that people didn’t have the money for a chapter 7 filing.

“People commonly wait to file bankruptcy until the very last minute,” he says, which is why the upfront cost of a

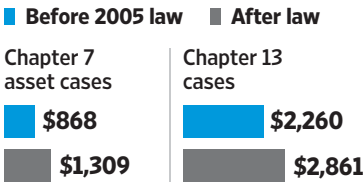


The co-founders of Upsolve, Kevin Moore, Rohan Pavuluri and Jonathan Petts, see it as a TurboTax equivalent for bankruptcy.

Rising Costs

Filing for personal bankruptcy became more expensive after Congress in 2005 passed a law that added paperwork and credit-counseling classes

AVERAGE COST, INCLUDING LEGAL FEES, IN SUCCESSFUL FILINGS



Source: University of Maine study, 2012

chapter 7 filing is a barrier. “It’s a last-ditch effort,” prompted by a wage garnishment or foreclosure threat.

A recent study published at the University of California Irvine found that only 37% of people who filed for chapter 13 bankruptcy in 2007 were able to keep up with monthly payments for up to five years.

User-friendly program

Some bankruptcy lawyers are pushing back against Upsolve, saying the bankruptcy process is too complex for the average person to navigate alone. “Houses and cars make things complicated,” and filers who make mistakes risk having their cases dismissed without debt relief, says Edward

Boltz, a North Carolina bankruptcy lawyer and National Association of Consumer Bankruptcy Attorneys board member who says he has joined Upsolve’s advisory board to warn of such dangers.

But some legal experts who initially were skeptical about Upsolve are warming to the idea. They praise the startup’s new plan to offer its software through legal-aid nonprofits, which could give users advice and review their documents for errors. “For low-income debtors, [Upsolve] certainly could be a way to lower the cost,” says Henry Sommer, a longtime consumer-bankruptcy expert who has written several books on the subject. Upsolve was founded in

June 2016 shortly after Mr. Petts met Mr. Pavuluri at a legal-aid luncheon in Brooklyn.

Mr. Pavuluri, now 21, was preparing to interview bankrupt people about the most confusing parts of the process for a school project. Mr. Petts, a corporate bankruptcy lawyer at Morrison & Foerster who on the side volunteered to help people file for bankruptcy, says they were mutually baffled at how much time the routine data entry for each case took.

“I thought, ‘There had to be a way to automate this,’” says Mr. Petts, 37, who later left his \$200,000-a-year job to help start the nonprofit.

The duo later connected with Kevin Moore, 33, who

artist from Brooklyn who used it to file for bankruptcy protection in October, says the program helped him get rid of old medical bills and growing credit-card debt. “I didn’t feel like I was judged, the way the questions were asked,” he says.

After the testing, Upsolve officials decided that the program would be more widely used if they formed partnerships with legal-aid nonprofits, which historically have shied away from helping consumers with bankruptcy filings due to the time and effort involved. The goal, Upsolve says, is to make the software available to nonprofits in every state by the end of 2019.

“This is a resource that can reduce the amount of work attorneys have to do,” says Jim Sandman, the president of Legal Services Corp., which distributes grants to more than 130 civil legal-aid groups.

A Philadelphia-based nonprofit funded by Legal Services won a \$160,000 grant that it will use to partner with Upsolve.

For now, one legal aid group in Maine is using Upsolve’s program and two more are testing it. Developers are completing tweaks and plan to make the software available to the public again around January. The founders say they’re applying for grants and plan to charge a licensing fee to legal-aid groups for revenue, but have no plans to make a living from the software.

In response to bankruptcy lawyers who say Upsolve’s program could lead to botched bankruptcy filings, Mr. Petts emphasizes that the company is only targeting people with basic problems; more complicated cases will still require a lawyer’s help. “I think consumer-bankruptcy lawyers understand the people we’re helping are people who would never hire a lawyer because they don’t have the money.”

Ms. Ferek is a reporter for The Wall Street Journal in Washington. Email he at katherine.stech@wsj.com.



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